

EA01-005

February 6, 2002

Via Fax (403) 264-9206

Ms. Shirley Maaskant
Paramount Resources Ltd.
4700, 888 3rd Street SW
Calgary, AB T2P 5C5

Attention: Shirley Maaskant

Dear Ms. Maaskant:

**Mackenzie Valley Land
& Water Board**

File _____

FEB - 6 2002

Application # MV20000005

Copied To PUM/KLIEPB/Reg

Re: Outline of Compensation Plan

This letter is to follow-up on the meeting between Paramount and the Ka'a' Gee Tu First Nation ("KTFN") held in Kakisa on January 29, 2002. At the meeting, you suggested that the KTFN commit to writing and send to you for Paramount's review an outline of a protocol which would be acceptable to the KTFN.

This letter first sets out some key principles which we believe should underlie protocol negotiations. It then lists the issues which the KTFN want to see included in a compensation plan, and finally we describe our proposed approach to these issues. Some of these issues were raised at the meeting, while others were not. These principles, and issues, would form a foundation for a compensation and benefit agreement.

KTFN's representatives are available to meet with you to discuss this outline in Edmonton on February 21st. Please advise our offices of Paramount's availability to meet on this date as soon as possible.

Key Principles for the Negotiations

KTFN and Paramount (the "Parties") would agree to follow the principles described below:

1. KTFN will conclude an agreement with Paramount, notwithstanding any other agreement Paramount may conclude with any other First Nation.
2. The Parties will participate in these negotiations in good faith, with the mutual goal of reaching an agreement regarding compensation and benefits which is fair to both parties.
3. The parties' representatives will come with a mandate to conclude and recommend an agreement-in-principle.
4. KTFN and Paramount commit to trying to reach an agreement in a timely manner.
5. Paramount's representatives will promptly take such steps as may be needed to ratify with Paramount any agreement-in-principle which is reached with KTFN's representatives.
6. KTFN's representatives will promptly take steps to ratify with KTFN any agreement-in-principle which is reached with Paramount's representatives.
7. Compensation must be commensurate with the scale of the project and the cumulative and ongoing effects of the project upon the KTFN.

We are advised that the KTFN will agree to abide by these principles. The eighth principle is essential, and was discussed to at the meeting.

Matters to Include in a Compensation and Benefits Plan

At the meeting, we discussed a number of general 'headings' which we believe the plan should address. The general approach we take below is to propose issues which we agree the plan should address. Once the issues are identified and agreed to, we can work out the details.

1. **Business Opportunities**
 - a. Joint Ventures
 - b. Employment Opportunities
 - c. Training
2. **Community Investment**
3. **Resource and Harvesting Issues**

4. Resolution of Conflicts
5. Access Management
6. Equity Participation
7. Consultation Compensation

1. Business Opportunities

a. Joint Ventures

The KTFN have provided Paramount with a list of seven joint ventures, all of which offer services which Paramount may require during the lifetime of its activities on the Cameron Hills. The KTFN propose to commit to providing Paramount with a current list of Joint Ventures on an annual basis.

In circumstances where one of the KTFN's Joint Ventures has the capacity to meet Paramount's contracting needs, Paramount would commit to giving KTFN the first opportunity to obtain that contract where the Joint Venture is able to provide a competitive bid and perform the service. Paramount would make best efforts to inform the KTFN Joint Venture of contract opportunities in a timely fashion. In the event that the KTFN Joint Venture is unable to offer a competitive price, then Paramount would be free to give the contract to another party.

The KTFN also propose the implementation of a feed-back system, so both Paramount and the Joint Venture are kept abreast of whether the other party is satisfied with the working relationship.

b. Employment Opportunities

First, in circumstances where KTFN cannot meet Paramount's contracting needs, and Paramount hires other service providers, Paramount will require these service providers to demonstrate to Paramount that it has the intention, and ability, to subcontract and hire from within the local workforce. This workforce would include both the KTFN and the members of other local First Nations.

Secondly, Paramount commit to designate certain positions as First Nation positions. In particular, we propose that Paramount commit to hiring a Wildlife Monitor, and the Environmental Monitors, from the KTFN.

c. Training Opportunities

Many members of the KTFN have already obtained basic qualifications, such as fire and safety training certificates, and wish to apply and build upon these qualifications. Paramount's

development activities will provide opportunities for such individuals to advance themselves. Paramount would commit to providing the KTFN with a long-term training plan, and, subject to satisfactory evaluations, commit to integrating members of the KTFN into their regular workforce at the Cameron Hills site. This may involve providing funding to train certain crew as part of the KTFN's Joint Venture proposals, or as part of the contracts with other service providers.

2. Community Investment

Paramount would allocate a fund to be paid to the KTFN each year that the pipeline system operates. The KTFN would have discretion about how it spent this fund. In general, it would be expected that KTFN would use this money for the social betterment of the community. For example, it may direct the funds into programs directed at community development, health, education and youth. The amount of the fund should also include the capacity for the KTFN to address the cultural impacts of the project.

3. Resource and Harvesting Issues

It is not possible to predict the scope or magnitude of impacts which Paramount's development will have on the KTFN with accuracy, although it is expected that the development will cause changes to the environment and to hunting, trapping, gathering, harvesting and fishing opportunities. We propose the development of terms which will address these unknown impacts over the life of the pipeline. The mechanism for doing so is subject to our negotiation but it must include the following features:

- A process to identify impacts as determined by the KTFN as and when they arise.
- A process to remedy or mitigate such impacts, if possible.
- If mitigation is not possible, and in any case if damages have already occurred, a process to arrive at fair compensation

Some impacts may be caused inadvertently by workers who are living in Paramount's camps, and Paramount would take steps to educate that workforce about proper behaviour protocols. We propose that one part of this education would involve Paramount providing resources on an annual basis for KTFN representatives to run a cultural workshop at the camp, which focused on the KTFN's relationship with the land.

4. Conflict Resolution

We propose that the KTFN and Paramount appoint representatives to resolve disputes, within a specified period of time after the dispute arises. If the parties do not come to an agreement, the parties each have the right to submit the dispute to a binding arbitration process. The process must have a tight turn-around time, to accommodate the realistic timeframes of your operation.

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The arbitrators would have to be independent, with expertise in the subject of the dispute, and both the arbitrator and their terms of reference must be mutually acceptable to both parties.

5. Access Management

The KTFN remains unconvinced that Paramount's existing measures to mitigate access will be effective. Increased access could have a myriad of adverse effects, including increased pressures on the land and resources which could continue long after Paramount ceases operations in the Cameron Hills. For example, it is unacceptable to the KTFN that workers bring rifles, or trapping equipment, with them to the camps. We propose the development of terms which will address access to the area which are acceptable to the KTFN.

6. Equity Participation

There are a number of forms of equity involvement which would be acceptable to the KTFN. We propose equity participation in the oil and gas field, and the transportation system, without cash participation, the terms of which will be concluded through negotiation.

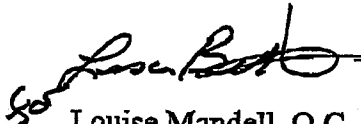
7. Consultation Funding

Paramount cover a proportion of the KTFN consultation costs to date. For consultation regarding future phases of Paramount's developments in the Cameron Hills, we propose Paramount provide resources to offset the reasonable costs of KTFN's participation. We also propose that Paramount fund that KTFN's participation in the consultation process which is the subject of this agreement.

We look forward to your timely response to this proposed general framework.

Yours truly,

MANDELL PINDER



Louise Mandell, Q.C.
Barrister & Solicitor

LM/lb

SIGNED IN THE WRITER'S ABSENCE

cc: Ka'a' Gee Tu First Nation,
Attention: Chief and Council and Allan Landry
INAC, Attention: Lorne Tricoteaux
MVLWB, Attention: Board Members
GNWT

Mandell Pinder
Barristers & Solicitors

10 - 1080 Mainland Street, Vancouver BC V6B 2T4
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FAX COVER SHEET

DATE: January 22, 2002

CLIENT #: 216-00.4

To: Paramount Resources Ltd.
Attention: Shirley Maaskaant

FAX: 1-403-262-7994
PHONE:

CC: Ka'a' Gee Tu First Nation
Attention: Chief and Council and Allan Landry

FAX: 1-867-825-2002
PHONE:

CC: INAC
Attention: Lorne Tricoteaux

FAX: 1-867-669-2703
PHONE:

CC: MVLWB
Attention: Board Members

FAX: 1-867-873-6610
PHONE:

CC: GNWT

FAX: 1-867-873-0114
PHONE:

FROM: Louise Mandell, Q.C.

RE: Outline of Compensation Plan

ORIGINAL BEING SENT BY MAIL: YES: NO: X

NUMBER OF PAGES INCLUDING COVER SHEET: 6

MESSAGE

Please see attached.

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AS SOON AS POSSIBLE.**