

October 22, 2020

Mackenzie Valley Land and Water Board

Box 2130
7th Floor - 4922 48th Street
Yellowknife, NT
X1A 2P6

Attention: Andrew Wheeler and Angela Love

Re: Notification of Procedural Pauses for Land Use Permits MV2020A0009 and MV2020A0010

Dear Mr. Wheeler and Ms. Love,

Paramount Resources Ltd. (Paramount) is providing the information below in response to the correspondences received on October 9, 2020 from the Mackenzie Valley Land and Water Board ("MVLWB").

Paramount throughout the life of both project areas has and continues to provide the MVLWB and reviewers updates by way of annual reports and renewal applications for Land Use Permits and Water Licences. Additionally, the project areas have been subject to numerous inspections by the Government of the Northwest Territories Department of Lands. All of this information is available on the public registry. The current state of the projects was also described in the current applications before the MVLWB. To summarize:

Liard East

- 7 well sites, 3 wells are abandoned, 4 wells are suspended;
- Wells were never tied-in and have never produced;
- The estimate provided by Paramount includes the reclamation of all well sites, access roads, camps and sumps;
- The wellbores and wellheads have not been included in the estimate provided, rationale is below;

The remaining suspended wells at Liard East were all drilled and will be abandoned under Section 10 approvals from the Office of the Regulator for Oil and Gas Operations ("OROGO"). Paramount is of the belief that security will be held by OROGO under the Oil and Gas Operations Act ("OGOA") under section 64(1), specifically "Debris" for the wells. Debris is defined as an installation or structure that has been abandoned without authorization or any material that has broken away or been jettisoned or displaced in the course of an approved work or activity. Claims could be made under Section 63 of OGOA by a party

that suffered actual loss or damages from or for costs associated with the clean-up of debris, spills or the authorized discharge, emission or escape of oil or gas.

Liard West:

- 5 well sites, 2 wells are abandoned, 7 wells are suspended;
- The project area is deactivated but is subject to a Section 10 approval;
- The estimate provided by Paramount includes the reclamation of all well sites, access roads camps and sumps;
- All installations and structures subject to the Section 10 approval were not included in the estimate.

Liard West has a valid Section 10 approval from the Office of the Regulator for Oil and Gas Operations (“OROGO”). Paramount is of the belief that the substantial security held by OROGO under the Oil and Gas Operations Act (“OGOA”) provides coverage for the Project area under section 64(1), specifically “Debris”. Debris is defined as an installation or structure that has been abandoned without authorization or any material that has broken away or been jettisoned or displaced in the course of an approved work or activity. Claims could be made under Section 63 of OGOA by a party that suffered actual loss or damages from or for costs associated with the clean-up of debris, spills or the authorized discharge, emission or escape of oil or gas. Given the current estimate provided to the MVLWB includes estimates for contamination that would have or will occur under the Section 10 approval, Paramount if required to submit a new estimate would most likely exclude those costs in a future estimate(s).

Paramount is of the belief that it has engaged with the Government of the Northwest Territories through the processes of the MVLWB, both in the original submission of the Security estimates and in the latest applications for Land Use Permits and Water Licences at Liard East and Liard West. Paramount is unsure what value additional engagements would provide. If GNWT has further comments or questions regarding the project that were not answered during the reviews, Paramount is open to receiving them. Paramount is open to discussing its current security holdings with OROGO with the MVLWB and the GNWT by phone if greater clarification is required on the scope of that security.

Paramount will not be able to provide revised security estimates in the timeframe provided. If the MVLWB is insistent on a revised security estimate, Paramount will require additional time to complete them. If the MVLWB continues to be insistent on the use of the RECLAIM model, Paramount respectfully requests the legislative or regulatory statute or policy on requiring the use of the model. Paramount would note the Conditions of Use from RECLAIM 7.0 Spreadsheet- Oil and Gas 2017:

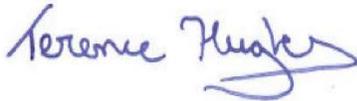
“The Reclamation Cost Estimating Model was prepared to serve as a guide for Government Agencies, mining companies, and others to estimate the cost of mine reclamation. This model is not intended to replace reclamation planning or to be used to determine the activities required to reclaim a site or to dictate how much should be spent on reclamation. Reclaim was prepared by Brodie Consulting Ltd. on

behalf of AANDC. AANDC and Brodie Consulting Ltd. are not responsible for the completeness or accuracy of any reclamation estimate made using this model. The user agrees to check and take responsibility for all aspects of any cost estimate made using this model."

Paramount would take this opportunity to reiterate the point it has made on previous occasions that it is extremely uncomfortable taking responsibility for outputs from a Model designed for a different industry by a third party consultant that Paramount had no inputs on.

Should you have any questions, please do not hesitate to contact the undersigned via phone at 403-206-3859.

Sincerely,
Paramount Resources Ltd.



Terence Hughes
Regulatory and Community Affairs Advisor