

February 12, 2021

Mackenzie Valley Land and Water Board

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

Attention: Andrew Wheeler

Re: Paramount Resources Ltd. Land Use Permit MV2020A0010 and Water Licence MV2020L1-0007

Dear Mr. Wheeler,

Paramount Resources Ltd. (Paramount) is requesting a reduction in the security amount associated with the above-mentioned Land Use Permit (LUP) and Water Licence (WL). For the reasons set out below and based on the information available on the public registry of the Mackenzie Valley Land and Water Board. Additionally, Paramount is requesting the requirement for a Sediment and Erosion Control Plan be removed, information regarding sediment and erosion control can be dealt with in Closure and Reclamation Plan. Detailed information on why a Sediment and Erosion Control Plan should not be required is below and available on the public registry (links provided).

Security

The Liard East project was subject to a security review as part of the renewal application process for MV2020A0010. In the renewal application attachment Paramount stated:

"The Project encompasses previously approved and existing well sites, access, borrow pits, campsites, and sumps. Planned activities include assessment, monitoring, abandonments, remediation and reclamation relating to seven well sites, and associated infrastructure, located at N-65, O-15, C-76, F-66, J-76, B-41, and C-02. No new drilling, production or other means for potential land disturbance are proposed. This project area has no pipelines and has never produced."

It is also important to note that the project has been subject to assessment processes and multiple previous Licence and Permit processes. In the project history it has never been assessed, screened, permitted or licenced to have production operations or associated equipment/infrastructure. The component table and as built map submitted for the project contain no pipelines. The applied for scope was monitoring, suspensions, abandonments, reclamation, and remediation.

Throughout the review process for the LUP and WL there was a substantial discussion on scope of security, the RECLAIM Mode and engagement with GNWT, all of which can be viewed on the public registry and is summarized in the MVLWB's Reasons for Decision. Through the discussion it was clarified what security the MVLWB is responsible for and what security the Office of the Regulator for Oil and Gas Operations is responsible for. Paramount, disagrees with the outcomes of the security process.

In the concluding segment regarding security the MVLWB stated:

"Paramount's response did not include a revised security estimate or detail on the infrastructure associated with the Project, and, consequently, it did not clarify Paramount's perception of inaccuracies in the GNWT's estimate. The Board understands Paramount's view of perceived inaccuracies in the GNWT's estimate; however, Paramount themselves have not provided a clear detailed description of the infrastructure associated with the Project to reconcile their perceived inaccuracies. Additionally, with respect to camps, Paramount indicated the area contains clearings for campsites but no physical camps. Through the Application and public review, Paramount indicated up to three camps could be utilized.³⁴ Consequently, the Board determined it is appropriate for liability costs associated with camps to be included in the security estimate. Further, the Board is satisfied that throughout the regulatory review process for the re-assessment of security in 2019, and the regulatory review process as part of the Applications, Paramount has had sufficient time to engage with the GNWT to reconcile their perceived discrepancies and provide a security estimate with clear supporting rationale."

Paramount disagrees with many of the statements above. Paramount has and will again clearly state the GNWT estimate includes facilities related to natural gas and oil production that do not exist. Paramount is of the belief as stated above, that its application clearly stated what was/is at the project location and what the scope of the applications are. Further, Paramount did not engage with GNWT regarding their security estimate as Paramount provided information through MVLWB processes on multiple occasions in which the GNWT was participating. Paramount is unsure why the MVLWB would be encouraging separate processes outside of the Permit and Licence processes that is within the scope of those applications. For transparency, administrative ease and regulatory consistency Paramount believes items related to scope of applications or approvals before the MVLWB, the processes of the MVLWB should be used.

Paramount is unsure how the Licence and Permit were issued to Paramount if the MVLWB is of the belief that Paramount never provided a clear description of the infrastructure associated with the project. If the GNWT and the MVLWB were unclear of the state of the project from the applications they could have referenced the prior assessments, screenings, permits and licences. Further, if the MVLWB and GNWT did not want to rely on Paramount's information they could have referenced the inspection reports from the GNWT Department of Lands that are available on the Public Registry. The last inspection report is attached to this submission for ease of reference. Not only does this inspection report provide the assessment of the GNWT on the current state of the project (which does not match the security estimate they provided and the MVLWB ultimately accepted), it also provides recent site photos of the project sites.

Camps will only be potentially used in the project area when activity occurs. They could be temporarily used during winter road construction, abandonment and reclamation (if required) activities. Paramount has included the mobilization and demobilization of camps in its revised estimate enclosed with this submission.

In setting the security for the Licence and Permit the MVLWB accepted the GNWT estimate, this in the opinion of Paramount is an error and resulted in security placed on the project that is not aligned with the project. Resulting from the security decision and discussion with MVLWB staff, Paramount reached out to the GNWT staff member who submitted the security estimate on behalf of the GNWT on November 27, 2021. To date Paramount has not received a reply, other GNWT staff were copied on the email as was a staff member of the MVWLB.

Paramount requests the MVLWB revise the security amount for the project based on the information provided and enclosed.

Sediment and Erosion Control Plan

Over the course of the project there has not been a requirement for a Sediment and Erosion Control Plan. Minor erosion issues were present after the initial construction of some of the borrow pits and well sites in the late 90's and early 2000's, which were addressed. Over the life of the former LUP MV2013A0012 no erosion issues were noted by Paramount or by the GNWT in their inspections (links below). Sediment and erosion risks could be encountered during winter road conduction and reclamation (if required). The majority of these risks are mitigated by operating in the winter season with no new disturbance and the use of ice roads and ice pads on leases. Additional mitigation is provided via licence and permit conditions along with good construction and operational practice.

Paramount acknowledges that during reclamation activities disturbances could occur within the existing project footprint which has potential to lead to localized erosion and sedimentation issues. Paramount suggests mitigation to these risks can be and should be addressed in the project Closure and Reclamation Plan and that a stand-alone plan for a project with no current Sediment and Erosion issues is unnecessary. Based on the above and the links below Paramount respectfully requests the MVLWB remove the requirement for a stand-alone Sediment and Erosion Control Plan.

Links:

2016:

<http://registry.mvlwb.ca/Documents/MV2013A0013/MV2013A0013%20-%20Paramount%20Resources%20Ltd%20-%20Inspection%20Report%20for%20July%2012%202016%20-%20Wellsite%20N-65%20-%20GNWT%20Lands%20-%20Sept14-16.pdf>

<http://registry.mvlwb.ca/Documents/MV2013A0013/MV2013A0013%20-%20Paramount%20Resources%20Ltd%20-%20Inspection%20Report%20for%20July%2012%202016%20-%20Wellsite%20O-15%20-%20GNWT%20Lands%20-%20Sept14-16.pdf>

<http://registry.mvlwb.ca/Documents/MV2013A0013/MV2013A0013%20-%20Paramount%20Resources%20Ltd%20-%20Inspection%20Report%20for%20July%2012%202016%20-%20Wellsite%20C-02%20-%20GNWT%20Lands%20-%20Sept14-16.pdf>

<http://registry.mvlwb.ca/Documents/MV2013A0013/MV2013A0013%20-%20Paramount%20Resources%20Ltd%20-%20Inspection%20Report%20for%20July%2012%202016%20-%20Wellsite%20C-76%20-%20GNWT%20Lands%20-%20Sept14-16.pdf>

2017:

<http://registry.mvlwb.ca/Documents/MV2013A0013/MV2013A0013%20-%20Paramount%20Resources%20-%20Inspection%20Report%20for%20August%2011%202017%20-%20GNWT%20Lands%20-%20Sept27-17.pdf>

2018:

[http://registry.mvlwb.ca/Documents/MV2013A0013/MV2013A0013%20-%20Paramount%20Resources%20-%20Inspection%20Report%20\(July%2024\)%20-%20Aug31_18.pdf](http://registry.mvlwb.ca/Documents/MV2013A0013/MV2013A0013%20-%20Paramount%20Resources%20-%20Inspection%20Report%20(July%2024)%20-%20Aug31_18.pdf)

[http://registry.mvlwb.ca/Documents/MV2013A0013/MV2013A0013%20-%20Paramount%20Resources%20-%20Inspection%20Report%20\(July%2023\)%20-.pdf](http://registry.mvlwb.ca/Documents/MV2013A0013/MV2013A0013%20-%20Paramount%20Resources%20-%20Inspection%20Report%20(July%2023)%20-.pdf)



Paramount
resources ltd.

Suite 2800, 421-7th Ave SW Calgary, Alberta, Canada T2P 4K9 www.paramountres.com
tel 403 290 3600

2020:

[http://registry.mvlwb.ca/Documents/MV2013A0013/MV2013A0013%20-%20Paramount%20Resources%20-%20Inspection%20Report%20\(July%202023\)%20-.pdf](http://registry.mvlwb.ca/Documents/MV2013A0013/MV2013A0013%20-%20Paramount%20Resources%20-%20Inspection%20Report%20(July%202023)%20-.pdf)

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

Sincerely,
Paramount Resources Ltd.

A handwritten signature in blue ink that reads "Terence Hughes". The signature is fluid and cursive, with a long horizontal stroke at the end.

Terence Hughes
Regulatory and Community Affairs Advisor