

SUITE 1000 / 700 - 9th AVENUE S.W. / CALGARY, ALBERTA, CANADA T2P 3V4

CANADA LTD.

(403) 261-1200
FAX (403) 261-1208

September 14, 2005

Sahtu Land & Water Board
Box 1
Fort Good Hope, NT
X0E 0H0



Attention: Patrick Clancy

Re: Apache Canada Ltd. – Nogha 2004/2005 Drilling Program Annual Report for Water Licence S03L1-016 (West Nogha K-14 and Nogha B-23)

Apache Canada Ltd. (Apache) is submitting the following information in response to the requirements outlined under the Terms of Reference and Conditions of Water Licence S03L1-016. Part B, Subpart 2 of the Terms and Conditions states that an annual report shall be supplied for the life of the water licence. For ease of review, the response has been presented in the same order as the Sahtu Land and Water Board Water Licence. During the winter of 2004-2005, Apache's partner, Paramount, was responsible for the work on these two locations.

a) The monthly and annual quantities (m³) of fresh water obtained from all sources:

No water withdrawal occurred under Water Licence S03L1-016 for this reporting period, therefore monthly and annual quantities are not applicable.

b) The monthly and annual quantities (m³) of each and all wastes discharged:

140m³ of water was used for camp purposes and disposed of in a camp sump during the month of February, 2005.

c) Itemized list of names, uses and quantities of all substances used during the drilling operation:

There were no drilling operations during this reporting period, thus there is no itemized list indicating names, uses and quantities of all substances.

d) A tabular summary of sampling dates and analysis of sump contents:

There were no drilling operations during this reporting period, therefore there is no tabular summary of sampling dates and analysis of sump contents.

e) A summary of exploration and development activities as they relate to water use and waste disposal:

Paramount's existing winter access road (under a different licence) and wellsites B-23 and K-14 were opened. Completion and evaluation operations were conducted on B-23 and K-14. A camp was set up at the existing campsite and a sump (18m x 4.4m x 3m deep) was excavated in early February to accommodate camp sewage and grey water. Frac oil was used for fracturing and well operations, but all fluids were trucked to disposal facilities outside the Northwest Territories.

f) List of unauthorized discharges:

A reported diesel spill (approximately 300L) had occurred on the K-14 lease and was reported to Indian and Northern Affairs Canada (INAC). No other spills were reported during the 2004/2005 winter period. Please see Paramount's attached "Spills/Releases Summary – 2005."

g) Details of all abandonment and restoration activities:

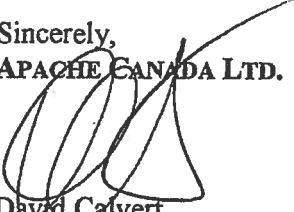
The camp sump was mix/buried and backfilled with the frozen contents of the sump crushed and placed on top as approved by the INAC Inspector.

h) Additional details on water use or waste disposal (requested by the Board by May 31st of the year being reported):

No additional requests were made by the Board.

I trust this meets the information requirements for the annual report under Water Licence S03L1-016. If you have any questions, please contact the undersigned at (403) 303-1826 or by email (david.calvert@apachecorp.com).

Sincerely,
APACHE CANADA LTD.



David Calvert
Senior Advisor, Surface Land
Regulatory, Aboriginal & Community Affairs

Attach.

cc: Natalie Albert Northern EnviroSearch Ltd.



Paramount Resources Ltd.

SPILLS/RELEASES SUMMARY - 2005

1ST QUARTER

Date (mm/dd/yy)	Report No.	Area / Location	Description	Corrective Action Taken or Required	Cost Estimate of Loss	Contributing Factor
--------------------	---------------	-----------------	-------------	--	--------------------------	------------------------

JANUARY

2/12/2005	NWT	Colville Nogha B-23	When filling a 400-barrel tank with frac oil, a leak occurred on the fill hose and approximately 50 litres of frac oil spilled onto the ice and snow outside the containment berm.	<ul style="list-style-type: none"> ➤ A vacuum truck was used to clean up the impacted area and transferred the snow and water to the slop tank for disposal. 	N/A	Contractor
2/14/2005	NWT 0112	Colville Nogha K-14 REPORTABLE!	While a boiler was being unloaded, it rolled on its side, breaking off the diesel fuel drain and spilling 300 litres of diesel fuel on the ground.	<ul style="list-style-type: none"> ➤ Reported to NWT Spill Line. ➤ A vacuum truck was used to clean up the impacted area and transferred the snow and water to the slop tank at B-23 for disposal. 	\$2,000	Contractor