

April 18, 2019

Mackenzie Valley Land and Water Board
Box 2130
7th Floor - 4922 48th Street
Yellowknife, NT
X1A 2P6

Attention: Angela Love

Re: Paramount Resources Ltd. Fort Liard East and West Security Estimates

Dear Ms. Love,

Paramount Resources Ltd. ("Paramount") has reviewed the comments provided by the Government of the Northwest Territories Department of Environment and Natural Resources ("ENR"), Landmark Resources Management on behalf of Acho Dene Koe First Nation and the Office of the Regulator of Oil and Gas Operations ("OROGO"). In the comment tables Paramount addresses the comments raised. Paramount would like to take this opportunity to raise some additional points regarding the posting of security regarding its projects regulated by the Mackenzie Valley Land and Water Board ("MVLWB").

Posting of Security

It is important to note that both under the Mackenzie Valley Resource Management Act ("MVRMA") and the Mackenzie Valley Land Use Regulations ("MVLUR") state that security may have to be posted. As outlined in Section 32 of the MVLUR posting of security is to be determined by several factors related to the costs associated with the land-use operation. Additionally, several other factors may be considered including the ability of the applicant to pay, past performance of the applicant, prior posting of security by the applicant to other legislation and the probability of environmental damage or the significance of any environmental damage. Given the above, Paramount requests the MVLWB take the following information into consideration:

1. Paramount is a publicly traded Canadian company that has been in business over 40 years. As a publicly traded company Paramount reports quarterly on its results including its financials.
2. Paramount has operated in the Northwest Territories ("NWT") for over 20 years, during that timeframe it has posted security dozens of times for operations at Fort Liard East, Fort Liard West, Fort Liard South and Cameron Hills. Paramount has never defaulted or failed to provide security when requested.
3. During its operations in the NWT Paramount has received the return of all or a portion of its security based on successfully closing and reclaiming project components.
4. Paramount has a large security posted with the OROGO related to its Fort Liard projects.

5. The scope of Permits and Licences are limited. The probability of environmental damage for the operations listed is low. No new footprint is considered in either project area.

Given the points outlined above, Paramount requests that the MVLWB consider all the factors listed under the MVLUR regarding security in determining an amount for Liard East and Liard West. Further, Paramount requests how they were considered by the MVLWB to be described in the reasons for decision in this matter.

RECLAIM Model

Paramount has consistently stated its position that it is uncomfortable with the RECLAIM model, due to the following:

1. "Reclaim was prepared by Brodie Consulting Ltd. on behalf of AANDC. AANDC and Brodie Consulting are not responsible for the completeness or accuracy of any reclamation made using this model." The user, in this case Paramount, is requested to take responsibility for using a model it had no input in the design of, been provided limited instructions on how to use and been provided no credentials of who designed it.
2. "The Reclamation Cost Estimating Model was prepared to serve as a guide of Government Agencies, mining companies and others to estimate the cost of mine reclamation." Paramount is not engaged in mining activity at either Fort Liard East and Fort Liard West. Mining operations and oil and gas operations are not similar in terms of design or footprint. To take a model designed for one industry make alterations to it and use it for another industry is concerning.
3. Abandonment and decommissioning activities are not regulated by the MVLWB. The focus of the Oil and Gas RECLAIM model related to the MVLWB mandate should be limited to reclamation and remediation activities.

Paramount requests the MVLWB in its reasons for decisions provide additional background on why a mining model is now being used for oil and gas developments. Further, understanding of the development of the model and those who developed it (experience relative to oil and gas) would be appreciated.

Lack of Coordination of Security Requirements in the NWT

Paramount would note that in the submissions made by ENR is a project-based estimate that is not limited to the jurisdiction of MVLWB. Oil and Gas projects are subject to regulation by both the MVLWB and OROGO in the NWT and both regulators seek security from proponents related to projects. This

leads to an inefficient system for proponents. The proponent is required to go through security estimate exercises with both regulators. The system creates a requirement of posting multiple securities for a single project which increases administration and transaction costs. Additionally, it increases the probability that proponents will post security for project components with both regulators increasing project costs.

Paramount would encourage the MVLWB and OROGO to coordinate security on oil and gas projects going forward. Until that coordination happens it is important that each regulator only request security from proponents that is within their mandate and to try and avoid duplication.

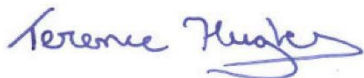
ENR Estimate

The estimate provided by ENR contains factual errors regarding the scale and scope of both Liard East and Liard West. It is important to note that the current state of the projects is wholly contained on the public registry, including recent inspection reports provided by GNWT Lands department. These errors are covered in detail in Paramount's responses to the ENR submissions made. The factual errors combined with the scoping error in the ENR estimate leads to the difference from the Paramount submissions.

Conclusion

Paramount looks forward to fully understanding how the security is finalized for Liard West and East in the MVLWB decision on this matter. If you have any further questions regarding the above or the table enclosed please do not hesitate to contact the undersigned via phone at 403-206-3859 or via email at terence.hughes@paramountres.com .

Respectfully,
Paramount Resources Ltd.



Terence Hughes
Regulatory and Community Affairs Advisor