

PRODUCTION LICENCE No. PL7

FEB 7 8 00 AM '00

THIS LICENCE is effective as of

January 18, 2000

DIAND/MAINC
REGISTRAR/DIRECTEUR
RECEIVED/RECU

ISSUED BY THE MINISTER OF INDIAN
AFFAIRS AND NORTHERN DEVELOPMENT
(hereinafter called the "Minister"),

TO THE INTEREST OWNER

Paramount Resources Ltd. 50% and
Berkley Petroleum Corp. 50%.

WHEREAS the Minister is empowered pursuant to the Act to issue a Production Licence (hereinafter called the "Licence") relating to the Lands;

AND WHEREAS a Declaration of Commercial Discovery has been made in respect of the lands;

AND WHEREAS, the interest owner of Exploration Licence No. EL381 has made application on January 18, 2000 for a Production Licence pursuant to the Act;

AND WHEREAS the Minister is satisfied that the qualifications to hold a Production Licence under the Act have been complied with;

NOW THEREFORE this Licence is issued upon the following terms and conditions:

1. INTERPRETATION

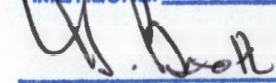
- (1) In this Licence, including all Schedules annexed hereto, unless the context requires otherwise:
 - (i) "Act" means the Canada Petroleum Resources Act;
 - (ii) "Operations Act" means the Canada Oil and Gas Operations Act;
 - (iii) "Lands" means the frontier lands described in Schedule I or such portion thereof that remains subject to this Licence from time to time;
 - (iv) "Regulations" means any and all regulations now made or that may be made at any time under the authority of the Act or the Operations Act, and any Acts passed in substitution therefor.
- (2) All words and phrases used in this Licence have the meaning given by the Act, the Operations Act, or the Regulations.
- (3) This Licence is issued under and subject to the Act, the Operations Act, and any Act passed in substitution therefor, the Regulations and the provisions of any other Act of Canada and regulations made thereunder that relate to or affect this Licence and the Act. The Regulations and such other Act and other regulations shall be deemed to be incorporated into this Licence as though specifically enumerated herein.
- (4) The following Schedules are attached and made part of this Licence:
Schedule I - Lands
Schedule II - Ownership
Schedule III - Representative(s) and Addresses for Service

DIAND/MAINC
INTEREST/TITRE

REGISTRATION NO/
No. D'ENREGISTREMENT: 00001

DATE: 2000.02.07

TIME/HEURE: 8:00 a.m.


REGISTRAR/DIRECTEUR

2. RIGHTS

- (1) Subject to the Act and the Operations Act, this Licence confers, with respect to the frontier lands to which this Licence applies,
 - (i) the right to explore for, and the exclusive right to drill and test for, petroleum;
 - (ii) the exclusive right to develop those frontier lands in order to produce petroleum; and
 - (iii) the exclusive right to produce petroleum from those frontier lands; and
 - (iv) title to the petroleum so produced.
- (2) This Licence shall be held by the interest holders as to the Lands, in the shares as set forth and described in Schedule II, or as amended from time to time.

3. EFFECTIVE DATE

Subject to the Act, this Licence is effective as of January 18, 2000 and continues for twenty-five (25) years thereafter.

4. ROYALTIES

Subject to the Act, each holder of a share in a production licence is liable for and shall pay, in accordance with the regulations, such royalties as may be prescribed, at the rates prescribed, in respect of petroleum produced from frontier lands and in respect of the periods prescribed.

5. INDEMNITY

- (1) It is a condition of this Licence that the interest holders shall, at all times, jointly and severally, indemnify and save harmless Canada from and against all claims, demands, loss, costs, damages, actions, suits or other proceedings by whomsoever made, sustained, brought or prosecuted, in any manner based upon, occasioned by, or attributable to, anything done or omitted to be done by, through, or under, or with the consent of the interest owner, or an interest holder, notwithstanding any agreement or arrangement entered into by an interest owner or interest holder which does or may result in the transfer, assignment or other disposition of the interest or share therein, in the fulfilment of the terms and conditions made herein or in the exercise of the rights or obligations contained herein.
- (2) For the purposes of subparagraph (1), "Canada" shall not include a Crown corporation.

6. LIABILITY

An interest holder shall be liable under the provisions of this Licence, the Act, the Operations Act and the Regulations for all claims, demands, loss, costs, damages, actions, suits or other proceedings in respect of any work or activity conducted, or caused to be conducted, by, through, or under, or with the consent of such interest holder. Any transfer, assignment, or other disposition of the interest, or of a share therein, shall not have the effect of discontinuing such liability in respect of such work or activity, related to the interest, or share therein, so disposed, that was conducted before that transfer, assignment, or other disposition was registered pursuant to the Act and Regulations. For greater certainty, liability, as aforesaid, does not relate to any work or activity conducted after such party ceases to be an interest holder in this Licence.

7. **SUCCESSORS AND ASSIGNS**

Subject to paragraph 6, this Licence enures to the benefit of and is binding on the Minister and the interest owner and their respective heirs, administrators, successors and assigns.

8. **NOTICE**

Any notice, communication or statement required under the Act or the Operations Act shall be served on the designated person, on behalf of the Minister or on the interest owner, as the case may be, by personal delivery or by fax at that address specified in Schedule III hereof, or such other addresses as may be designated from time to time by the Minister or the interest owner, as the case may be.

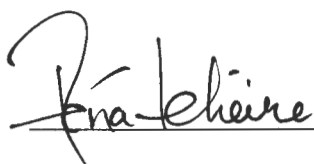
9. **REPRESENTATIVE**

Unless otherwise designated in the prescribed manner, for the purpose of this Licence the representative or representatives, as the case may be, of the interest owner shall be as specified in Schedule III.

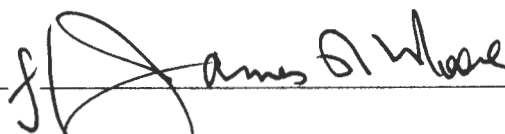
10. **AGREEMENT**

The issuance of this Licence by the Minister and acceptance thereof by the interest owner constitutes agreement between the interest owner and the Minister as to the terms and conditions contained herein.

ISSUED at Ottawa, this February 4, 2000



WITNESS



Minister of Indian Affairs and Northern Development

SCHEDULE I
LANDS

Latitude	Longitude	Portion
60° 10'	123° 15'	Sections 25, 35, 36 and 37

AREA: 1 292 HECTARES (more or less)

SCHEDULE II
OWNERSHIP

Latitude/Longitude	Portion	Interest Holder(s)	Share %
60° 10' 123° 15'	Sections 25, 35, 36 and 37	Paramount Resources Ltd.	50
		Berkley Petroleum Corp.	50

SCHEDULE III
REPRESENTATIVE(S) AND ADDRESSES FOR SERVICE

Paramount Resources Ltd.

4000 - First Canadian Centre

350 - 7th Avenue S.W.

CALGARY AB T2P 3W5

(Attention: Manager Land and Legal)

Facsimile: (403) 262-7994

Northern Oil & Gas Directorate

Department of Indian Affairs

and Northern Development

OTTAWA ON K1A 0H4

(Attention: Director)

Facsimile: (819) 953-5828