

MAY 26 '03 12:05

## SIGNIFICANT DISCOVERY LICENCE NO. SDL122

THIS LICENCE is effective as of **April 30, 2003**

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

**TO THE INTEREST OWNER** **Paramount Resources Ltd. 50%**  
**and**  
**Anadarko Canada Energy Co. 50%**

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

**AND WHEREAS** a Declaration of Significant Discovery has been made on April 30, 2003, in respect of the Paramount Anadarko Bovie J-76 discovery well;

**AND WHEREAS**, the interest owner of Exploration Licence No. EL369 has made application for a Significant Discovery Licence pursuant to the Act;

**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

## **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, subject to compliance with the other provisions of the Act, to obtain a Production Licence.
- (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**

The term of this licence commences on April 30, 2003.

## **4. 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.

## **5. 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

**6. SUCCESSORS AND ASSIGNS**

Subject to paragraph 5, 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.

**7. 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.

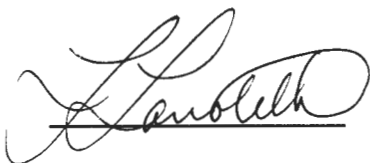
**8. REPRESENTATIVE**

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.

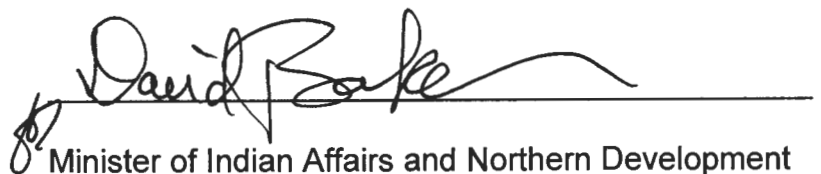
**9. AGREEMENT**

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 14 day of May, 2003.



WITNESS



Minister of Indian Affairs and Northern Development

**SCHEDULE I  
LANDS**

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| <u>Latitude</u> | <u>Longitude</u> | <u>Portion</u>              |
|-----------------|------------------|-----------------------------|
| 60° 20' N       | 122° 45' W       | Sections 57, 66, 67, 76, 77 |

**AREA:** 1605 Hectares (more or less)

**SCHEDULE II  
OWNERSHIP**

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| <u>Latitude/Longitude</u> | <u>Portion</u>              | <u>Interest Holder(s)</u>                                 | <u>Share %</u> |
|---------------------------|-----------------------------|---|----------------|
| 60° 20' N 122° 45' W      | Sections 57, 66, 67, 76, 77 | Paramount Resources Ltd.<br>Anadarko Canada Energy<br>Co. | 50<br>50       |

**SCHEDULE III**  
**REPRESENTATIVE(S) AND ADDRESSES FOR SERVICE**

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**PARAMOUNT RESOURCES LTD.**

888 3<sup>rd</sup> Street S.W.

CALGARY AB T2P 5C5

Attention: Land Department

Facsimile: (403) 290-3614

**Northern Oil & Gas Directorate**

Department of Indian Affairs

and Northern Development

OTTAWA ON K1A 0H4

Attention: Director

Facsimile: (819) 953-5828