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File-	1777

Devon Canada Corporation  
2000, 400 - 3<sup>rd</sup> Avenue S.W.  
Calgary, Alberta T2P 4H2  
Phone: (403) 232-7100

June 21, 2004

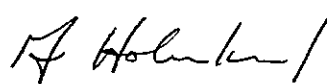
Gordon Wray  
Chairman  
Northwest Territories Water Board  
P.O Box 1500  
2nd Floor Goga Cho Building  
Yellowknife, NT X1A 2R2

RE: LETTER OF CREDIT SUPPORTING WATER LICENCE N7L1-1777

Dear Mr. Wray:

I am writing to request Devon Canada Corporation be allowed to reduce the amount of the letter of credit which supports licence N7L1-1777 to match with the N.W.T. Water Board's current licence issues. Under the Board's new licence issues there is a clause which provides for a reduction in the amount of the letter of credit once a licence enters a monitoring phase. The following page was provided to me by the Water Resources Division of Indian and Northern Affairs Canada and is an example of this new clause. When licence N7L1-1777 was issued the Board did not provide this type of reduction in liability for any licences. The current letter of credit in support of this licence is equal to \$650,000.00 and represents a significant cost and opportunity cost to Devon Canada Corporation. Since the licence is already entering its third and final year of the monitoring phase, Devon Canada Corporation is kindly requesting a review of this licence to see if a reduction in this letter of credit is appropriate considering how the Board currently issues similar licences.

Sincerely,



Geoff Holmlund  
Treasury Analyst  
Devon Canada Corporation

CC: Pete Millman  
Environmental Planner  
Devon Canada Corporation



3. The Licensee shall comply with the "Surveillance Network Program" annexed to this Licence, and any amendment to the said "Surveillance Network Program" as may be made from time to time, pursuant to the conditions of this Licence.
4. The "Surveillance Network Program" and compliance dates specified in the Licence may be modified at the discretion of the Board.
5. All monitoring data shall be submitted in printed form and electronically in spreadsheet format on a diskette or other electronic forms acceptable to the Board.
6. All reports shall be submitted to the Board in printed format accompanied by an electronic copy in a common word processing format on diskette or other electronic forms acceptable to the Board.
7. Prior to the use of Water for industrial undertakings or the disposal of Waste and pursuant to Section 17(1) of the Act and Section 12 of the Regulations, the Licensee shall have posted and shall maintain a security deposit of Three Hundred Twenty Five Thousand (\$325,000.00) Dollars in a form suitable to the Minister.
8. The security deposit shall be maintained until such time as it is fully or in part refunded by the Minister pursuant to Section 17 of the Act. This clause shall survive the expiry of this Licence or renewals thereof and until full and final restoration has been completed to the satisfaction of the Minister.
- \* 9. By April 15, 2004, pursuant to Section 17(1) of the Act and Section 12 of the Regulations, the Licensee shall have posted and shall maintain a security deposit of One Hundred Thousand (\$100,000.00) Dollars in a form suitable to the Minister. This security deposit shall be maintained until the completion of the requirements of Part H, Item 2 have been met.
10. The Licensee shall ensure a copy of this Licence is maintained at the site of operation at all times.

\* Monitoring security deposit

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**RBC  
Royal Bank**

**NON-NEGOTIABLE**

PAGE: 1

INT'L TRADE CENTRE ALBERTA  
5TH FLOOR,  
335 - 8TH AVENUE SW  
CALGARY, ALBERTA T2P 1C9  
CANADA

DATE OF ISSUE: JULY 22, 2003

OUR REFERENCE NUMBER:  
P303979C00489

DATE OF EXPIRY: JULY 21, 2004  
PLACE OF EXPIRY: CALGARY, ALBERTA

BENEFICIARY:  
RECEIVER GENERAL FOR CANADA, DEPT.  
OF INDIAN AFFAIRS AND NORTHERN  
DEVELOPMENT, 4914 - 50TH STREET  
3RD FLOOR (SEE BELOW)

APPLICANT:  
DEVON CANADA CORPORATION  
3100, 400-3RD AVENUE S.W.  
CALGARY, ALBERTA  
T2P 4H2

AMOUNT: CAD 650,000.00  
SIX HUNDRED FIFTY THOUSAND AND 00/100'S  
CANADIAN DOLLARS

BENEFICIARY'S ADDRESS CONTINUED:  
BOX 1500  
YELLOWKNIFE, NT X1A 2R3  
ATTN: DAVID MILBURN

IRREVOCABLE STANDBY LETTER OF CREDIT NO. P303979C00489.

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. P303979C00489  
(THE "CREDIT") IN FAVOUR OF RECEIVER GENERAL FOR CANADA BY ORDER AND FOR THE  
ACCOUNT OF DEVON CANADA CORPORATION, UP TO AN AGGREGATE AMOUNT OF SIX HUNDRED  
FIFTY THOUSAND AND 00/100'S, CANADIAN DOLLARS (CAD.650,000.00), AVAILABLE FOR  
PAYMENT AT SIGHT UPON PRESENTATION AT OUR COUNTERS AT ROYAL BANK OF CANADA,  
INTERNATIONAL TRADE CENTRE-ALBERTA, 5TH FLOOR, 335-8TH AVENUE S.W., CALGARY,

**COPY**



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P303979C00489

PAGE: 2

ALBERTA, T2P 1C9 OF THE FOLLOWING DOCUMENT(S):

- BENEFICIARY'S SIGNED WRITTEN CONFIRMATION STATING THAT THE AMOUNT REQUESTED IS RELATING TO WATER LICENSE N7L1-1777.

**SPECIAL CONDITIONS:**

1. PARTIAL AND MULTIPLE DRAWINGS ARE PERMITTED.
2. DOCUMENTS MUST BE PRESENTED NOT LATER THAN JULY 21, 2004, OR IN THE EVENT OF FORCE MAJEURE INTERRUPTING OUR BUSINESS WITHIN THIRTY (30) DAYS AFTER RESUMPTION OF OUR BUSINESS, WHICHEVER IS LATER.
3. IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE DEEMED TO BE AUTOMATICALLY EXTENDED, WITHOUT AMENDMENT, FOR ONE YEAR FROM THE PRESENT OR ANY FUTURE EXPIRATION DATE HEREOF, UNLESS AT LEAST THIRTY (30) DAYS PRIOR TO ANY SUCH DATE WE SHALL NOTIFY YOU IN WRITING, BY REGISTERED MAIL OR COURIER, THAT WE ELECT NOT TO CONSIDER THIS LETTER OF CREDIT RENEWED FOR ANY SUCH ADDITIONAL PERIOD.

UPON RECEIPT OF DOCUMENTS ISSUED IN COMPLIANCE WITH THE TERMS OF THIS CREDIT, I HEREBY IRREVOCABLY UNDERTAKE TO COVER YOU AS PER YOUR INSTRUCTIONS WITH VALUE ONE BANK WORKING DAY.

THIS LETTER OF CREDIT REPLACES OUR LETTER OF CREDIT NO. P221731C00489 WHICH MUST BE RETURNED TO US FOR CANCELLATION.

THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS, (1993 REVISION, INTERNATIONAL CHAMBER OF COMMERCE, PARIS, FRANCE, PUBLICATION NUMBER 500).

ROYAL BANK OF CANADA  
ORIGINAL SIGNED BY  
B. KING RAMDRA

ORIGINAL SIGNED BY  
CORINDA MAK

**COPY**