



2005 - 2006

BEAUFORT SEA / MACKENZIE DELTA

CALL FOR BIDS

**Closing at Noon, Mountain Time
on May 2, 2006**

The management of oil and gas resources North of 60° latitude offshore and in the Northwest Territories and Nunavut is a federal responsibility. This responsibility is carried out by the Oil and Gas Management Directorate of the Department of Indian Affairs and Northern Development.

For more information on the rights issuance process, the resource management regime or the contents of this call, please contact the Oil and Gas Management Directorate at (819) 997-0877 or visit our website at www.ainc-inac.gc.ca/oil

MINISTER OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT

2005-2006 BEAUFORT SEA / MACKENZIE DELTA

CALL FOR BIDS

Closing at Noon Mountain Time, May 2, 2006

The Minister of Indian Affairs and Northern Development hereby calls for the submission of bids in respect of two (2) parcels comprising the following lands located in the Beaufort Sea/Mackenzie Delta area of the Northwest Territories:

PARCEL No. MD-1

(56,406 hectares more or less)

Issuance Fee: \$ 2,000.00

<u>Latitude</u>	<u>Longitude</u>	<u>Part</u>
69° 40' N	134° 45' W	sections 1, 11, 21, 31, 41
69° 40' N	134° 30' W	section 51
69° 30' N	134° 45' W	sections 4-10, 14-20, 24-30, 35-40, 45-50
69° 30' N	134° 30' W	sections 1-7, 11-17, 21-27, 31-37, 41-47, 51-60
69° 30' N	134° 15' W	sections 1-2, 11-12, 21-22, 31-32, 41-42, 47, 51-52, 56-57
69° 30' N	134° 00' W	sections 21-22, 31-32, 41-42, 51-52
69° 20' N	134° 15' W	sections 1-60*
69° 20' N	134° 00' W	sections 27-30, 37-40, 45-50, 51-60

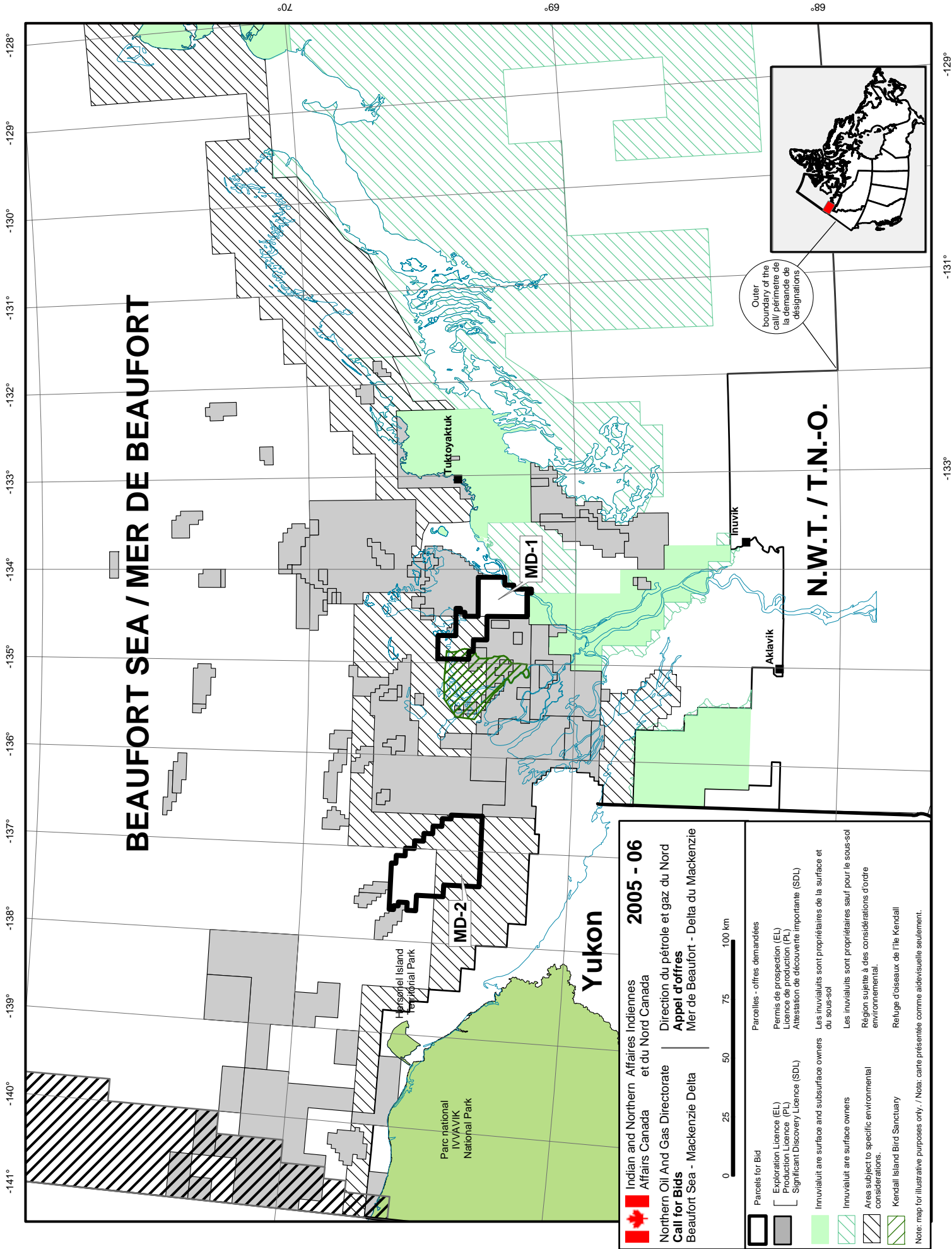
* For sections 1, 11, 21, 31, 41 and 51, including only that portion lying north of the Inuvik 7(1)(a) land selection boundary.

PARCEL No. MD-2

(99,942 hectares more or less)

Issuance Fee: \$ 2,000.00

<u>Latitude</u>	<u>Longitude</u>	<u>Part</u>
69° 30' N	136° 30' W	sections 31-37, 41-49, 51-59
69° 30' N	136° 45' W	sections 1-60
69° 30' N	137° 00' W	sections 1-60
69° 30' N	137° 15' W	sections 1-30, 39, 40, 49, 50, 59, 60
69° 40' N	136° 45' W	sections 1, 11, 21-23, 31-33, 41-45, 51-55
69° 40' N	137° 00' W	sections 1-7, 11-17, 21-29, 31-39, 41-60
69° 40' N	137° 15' W	sections 1-60
69° 40' N	137° 30' W	sections 5-10, 15-20, 25, 26, 29, 30, 35, 36, 40



BEAUFORT SEA / MER DE BEAUFORT

Indian and Northern Affairs Indiennes et du Nord Canada **2005 - 06**
Northern Oil And Gas Directorate **Direction du pétrole et gaz du Nord**
Call for Bids **Appel d'offres**
Beaufort Sea - Mackenzie Delta **Mer de Beaufort - Delta du Mackenzie**

Parcels for Bid (white box)
Exploration Licence (EL) (grey box)
Production Licence (PL) (light green box)
Significant Discovery Licence (SDL) (hatched box)

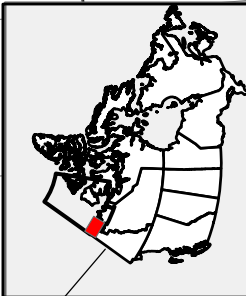
Innuvialuit are surface and subsurface owners (green box)
Innuvialuit are surface owners (hatched box)
Area subject to specific environmental considerations. (diagonal hatched box)
Kendall Island Bird Sanctuary (green box with diagonal lines)

Parcels - offres demandées
Permis de prospection (EL)
Licence de production (PL)
Attestation de découverte importante (SDL)
Les innuvialuits sont propriétaires de la surface et du sous-sol
Les innuvialuits sont propriétaires seul pour le sous-sol
Région sujette à des considérations d'ordre environnemental.
Refuge d'oiseaux de l'île Kendall

0 25 50 75 100 km

Note: map for illustrative purposes only. / Nota: carte présentée comme alévisuelle seulement.

Outer boundary of the call/périimètre de la demande de désignations



Parc national IUVAVIK National Park

Herzogen Island Territorial Park

MD-2

MD-1

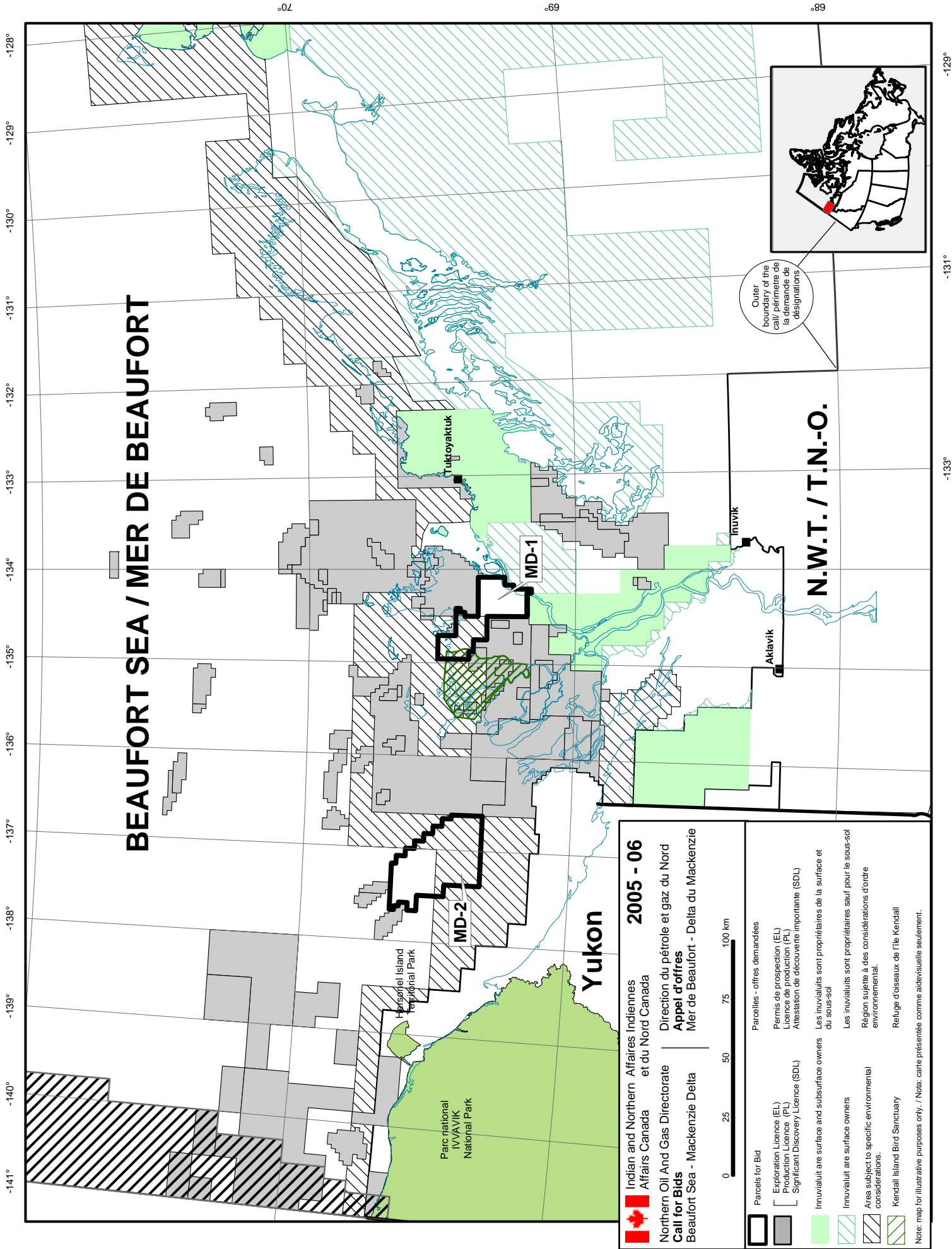
Tuktoyaktuk

Aklavik

Inuvik

N.W.T. / T.N.-O.

Yukon



Terms and Conditions of a Call for Bids

1. Acceptance and Agreement

- *Canada Petroleum Resources Act s.s. 24.1*

Any submission of a bid in response to a Call for Bids shall be made on the understanding that the terms and conditions as contained herein are accepted and agreed to by the bidder. Such understanding shall include the acceptance of and agreement with the terms and conditions contained within the form of the **Exploration Licence** and with the **Benefits Statement of Principles**, copies of which are available by request or by downloading from our website.

2. Exploration Licence

- *Canada Petroleum Resources Act s.s. 14.3 (a)*

Any exploration licence which may result from a Call for Bids will be issued pursuant to the *Canada Petroleum Resources Act* (CPRA), R.S., 1985, c. 36, 2nd supplement, or legislation made in amendment thereof or in substitution therefor and any regulations made thereunder from time to time.

3. Submission of Bids

- *Canada Petroleum Resources Act s.s. 14.3 (e), (f)*

Calls for Bids remain open for at least 120 days following publication in the Canada Gazette.

Sealed bids must be delivered, either by registered mail or in person, at the following address prior to **NOON**, Mountain Time on **May 2, 2006**:

Data Coordinator
National Energy Board
Frontier Information Office
444 Seventh Avenue S.W.
CALGARY AB T2P 0X8

Each bid submitted in response to a Call must be addressed to the Minister of Indian Affairs and Northern Development and be in double sealed envelopes bearing no corporate identification. The outer envelope should be clearly marked with the date and call name, i.e. "**2006 Beaufort Sea / Mackenzie Delta Call for Bids**". The inner envelope(s) should be clearly marked with the date, call name and parcel number, i.e. "**2006 Beaufort Sea / Mackenzie Delta Call for Bids - Parcel MD-__**".

Individuals or companies submitting more than one bid may place all bids in a single outer envelope.

The **Bid Submission Form** is available by request or by downloading from our website.

To be accepted, bids must be accompanied by separate financial instruments in respect of the issuance fee (**clause 6**) and the work deposit (**clause 10**).

4. Bid Selection Criterion

- *Canada Petroleum Resources Act s.s. 14.3 (g)*

Selection of the successful bid will be made on the basis of a single criterion, namely, the total amount of money that the bidder proposes to spend doing exploratory work on each parcel within Period 1 of the term of the exploration licence (Work Proposal Bid).

5. Minimum Bid

- *Canada Petroleum Resources Act s.s. 14.3 (d)*

Work proposal bids of less than \$1,000,000.00 for each parcel will not be considered.

6. Issuance Fees

- *Frontier Lands Registration Regulations s. 15*

Issuance fees of \$250.00 per grid, or portion thereof, must be submitted with the bid by separate cheque made payable to the Receiver General for Canada.

7. Environmental Studies Research Fund (ESRF) Levies

- *Canada Petroleum Resources Act s. 81*

Exploration licences are subject to the payment of ESRF levies in accordance with section 81 of the CPRA. Where applicable, the ESRF manager will send notices to the interest holders.

8. Term

- *Canada Petroleum Resources Act s.s. 14.3 (c)*

The term for exploration licences issued from the **Beaufort Sea/Mackenzie Delta Call for Bids** will be nine (9) years consisting of two consecutive periods of five (5) and four (4) years each.

9. Work Requirement

- *Canada Petroleum Resources Act s.s. 14.3 (c)*

The drilling of one (1) exploratory or delineation well prior to the end of Period 1 of the term is a condition precedent to obtaining tenure to Period 2.

Such a well should reach a depth sufficient to evaluate a prospective horizon as described in the geological prognosis in the application for Authority to Drill a Well.

Where a well has been commenced and drilling is being pursued diligently, Period 1 shall continue until the well has been completed. Period 2 shall be reduced accordingly.

Failure to drill a well on the lands by the end of Period 1 will result in the termination of the exploration licence, consequently, lands revert to the Crown as Crown reserve lands.

Drilling Deposit

The interest owner may, at its option, in order to meet the work requirement, extend Period 1 for one year by posting a Drilling Deposit, in the name of the Receiver General for Canada with the Northern Oil and Gas Directorate of the Department of Indian Affairs and Northern Development, before the end of the last year of Period 1. Where Period 1 is extended by the posting of a Drilling Deposit, Period 2 shall be reduced accordingly.

This Drilling Deposit shall be in the amount of \$1,000,000.00 and in a form acceptable to the Department. If a Drilling Deposit is posted it will be refunded in full if the licence is validated as required to obtain tenure for Period 2 by the drilling of a well. If a validation well is not drilled or has not been commenced within the one year extension, the Drilling Deposit will be forfeit to the Crown upon the termination of the licence at the end of Period 1. If a well has been commenced and drilling operations are being diligently pursued, Period 1 will continue until the well has been completed. Allowable expenditures cannot be applied against the Drilling Deposit.

As a result of the extension of Period 1 by the posting of a Drilling Deposit, rentals payable in Period 2 will be applicable at the following rates, for the first year after the extension, at \$5.50 per hectare and all subsequent years at \$8.00 per hectare. All other rental provisions remain applicable.

10. Work Deposit

- *Canada Petroleum Resources Act s.s. 14.3 (d)*

Each bid must be accompanied by a work deposit for the specified parcel in the amount of twenty-five per cent (25%) of the bid submitted. Each work deposit must relate to a single parcel.

The work deposit must be submitted in the form of an Irrevocable Standby Letter of Credit, a bank draft, money order or certified cheque made payable to the Receiver General for Canada, or any other negotiable financial instrument approved in advance by the Rights Administrator. Failure to receive pre-approval may result in disqualification of the bid. The Rights Administrator may be contacted at (819) 953-8529. Company cheques are not considered negotiable financial instruments for this purpose.

Bank drafts, money orders and certified cheques of successful bidders will be deposited while those of unsuccessful bidders will be returned. Work deposits of successful bidders may be replaced, at their convenience, with Irrevocable Standby Letters of Credit, or other negotiable financial instruments satisfactory to the Minister.

Parties submitting a joint bid may submit separate guarantees representing their proportionate share of the required work deposit. The bidder's designated representative will be responsible for collecting and submitting all partner guarantees with the bid.

As expenditures are incurred on the lands during Period 1 of the term, Work Deposits are refundable at the rates established in the Schedule of Allowable Expenditures which is available by request or by downloading from our website. Since Work Deposits represent 25% of the total amount bid for a parcel, refunds are likewise prorated on the basis of 25% of allowable expenditures incurred. Any Work Deposit balance remaining at the end of Period 1 will be forfeit.

Expenditures incurred in Period 2 of the term will not be credited against the Work Deposit as these may be credited against Period 2 rentals.

11. Rentals

- *Canada Petroleum Resources Act s.s. 14.3 (c)*

Unless otherwise specified, there are no rentals payable during Period 1 of the term.

Rentals paid during Period 2 are refundable at the rates established in the Schedule of Allowable Expenditures, which is available by request or by downloading from our website, in effect for the region of the Call at the time Period 2 commences. Refunds may be made or future rentals may be waived, as the case may be, as expenditures are incurred on the lands subject to the exploration licence during Period 2 of the term. Any rental balance remaining at the end of Period 2 will be forfeit.

In Period 2, rentals will be applicable at the following rates:

1st year	\$3.00/ha
2nd year	\$5.50/ha
3rd and 4th year	\$8.00/ha

Rentals will be payable annually, in advance, and are to be submitted by cheque payable to the Receiver General for Canada, Irrevocable Standby Letter of Credit, or other negotiable financial instrument in a form satisfactory to the Minister.

Rentals for the first year of Period 2 will be payable in full even if Period 1 is continued.

When an exploration licence continues in force beyond Period 2 due to the drilling of a well deemed to be pursued diligently in accordance with Section 27 of the CPRA, rentals will be payable at the rates applicable during the last year of Period 2. Such rentals will be payable monthly, in advance, at the rate of one twelfth (1/12) of the applicable annual rates.

Rentals may be payable on lands included in a significant discovery licence.

Failure to pay rentals will result in the early termination of the exploration licence, consequently, lands revert to the Crown as Crown reserve lands.

12. Allowable Expenditures

- *Canada Petroleum Resources Act s.s. 14.3 (c)*

The Schedule of Allowable Expenditures to be used in determining refunds of Work Deposits is attached.

The Schedule of Allowable Expenditures to be used in determining refunds of Period 2 Rentals will be that in effect for the region of the Call at the time Period 2 commences.

The Schedule of Allowable Expenditures is available by request or by downloading from our website.

13. Acceptance/Rejection of Bids

- *Canada Petroleum Resources Act s.s. 15.1*

For the purpose of issuing an exploration licence, the Minister will choose the highest bid in terms of the single bidding criterion (Work Proposal Bid). The Minister is not bound to select any bid submitted.

Bids will be accepted only in relation to an entire parcel.

14. Tied Bids

In the event of two or more bids being tied, each bidder involved will be notified of the tie and have the opportunity to submit a new bid in its proper form within a time frame specified by the Department of Indian Affairs and Northern Development, which will not be for more than twenty-four (24) hours after being notified.

15. Notification of Results

Bidding results will be made available as soon as possible following the closing of the Call via posting on our website at http://www.ainc-inac.gc.ca/oil/index_e.html.

16. Related Requirements

The exercise of petroleum exploration rights is subject to specific terms and conditions including:

Conditions Relating to the Environment

Operators wishing to carry out activities as a result of this process will be required to comply with all federal environmental requirements defined in the Inuvialuit Land Claims Agreement as well as those stemming from the *Canadian Environmental Assessment Act*, the *Canada Oil and Gas Operations Act*, the *Territorial Lands Act*, the *Arctic Waters Pollution Prevention Act*, and other applicable legislation.

The shaded area on the attached map has been identified by the Inuvialuit and other wildlife specialists as being of particular importance, and is intended to alert potential nominators that this area may be subject to additional regulatory terms and conditions. Potential nominators should also be aware that the extent of future surface operations in the Kendall Island Migratory Bird Sanctuary may be subject to limitations, to be determined. Further information may be obtained from the Canadian Wildlife Service.

Also, some offshore areas could be a migratory route for whales and be considered sensitive. Therefore, the work season may be restricted to those months when the proposed type of activity will not have a significant environmental impact on sensitive fish and mammal habitats, birds or other species. Conditions relating to drilling fluids and waste discharges may be imposed.

Site specific environmental protection plans may be required by the proponent prior to the commencement of activity. These plans would describe the necessary procedures the operator would take to minimize any environmental impacts to sensitive fish and mammal habitats, birds or other species in the region.

Land Claims Requirements

The successful bidder shall comply with the terms of the Inuvialuit Land Claim Agreement. Interested parties should be familiar with the Agreement.

Northern Benefits Requirements

The successful bidder shall adhere to the **Northern Benefits Requirements Associated with New Exploration Programs** which is attached to this document or available by downloading from our website.

Information

For more information on this Call, the rights issuance process or the resource management regime, please contact:

Manager, Land Tenure
Northern Oil and Gas Branch
Oil and Gas Management Directorate
Department of Indian Affairs and Northern Development
10 Wellington Street, 6th floor
GATINEAU QC K1A 0H4
Tel: (819) 997-0221; Fax: (819) 953-5828; Internet: caseyr@inac.gc.ca

Right Issuance
Northern Oil and Gas Branch
Oil and Gas Management Directorate
Department of Indian Affairs and Northern Development
GATINEAU QC K1A 0H4
Tel: (819) 953-8529; Fax: (819) 953-5828; Internet: Desjardinsm@inac.gc.ca

Northern Oil and Gas information, including maps, may be found on and downloaded from the DIAND web site at http://www.ainc-inac.gc.ca/oil/index_e.html

Any geological and well information with respect to the lands or area which is available for public disclosure may be obtained from:

Data Coordinator
National Energy Board
Exploration and Production
444 Seventh Avenue SW
CALGARY AB T2P 0X8

Fax: (403) 292-5876
Phone: (403) 292-4800

SCHEDULE OF ALLOWABLE EXPENDITURES

Work Deposits and rentals will be refunded on the following basis, subject to further clarification by the Rights Administrator:

Costs related to the following classes of exploratory work undertaken as part of a program authorized by the National Energy Board may be claimed **AT COST**:-

Data acquisition by means of reflection seismic surveys or other geophysical, geo-technical or geological surveys, including costs relating to field acquisition and processing, inspection and clean-up.

Data purchase from vendors at arm's length for re-processing and/or interpretation, to the extent that the data assist the evaluation of the specific licence.

Drilling operations: Costs relating to construction of access routes, preparation of drilling sites, transportation to and from well location and staging areas, onsite drilling and evaluation, support vessels, helicopters, site clean-up and restoration. Drilling operations involved in an exploratory or delineation well may entail waiting on weather, logging, well testing and completion. Extended formation flow testing will not be regarded as an allowable expenditure.

Mobilization and demobilization of equipment and supplies, and any incurred stand-by charges deemed reasonable by the Rights Administrator.

Notwithstanding the above, the Minister may agree to costs claimed with respect to classes of work or activity, or the use of innovative technology not contemplated by this schedule.

General and Administrative:

Ten percent (10%) of the above allowable expenditures to reflect other costs not specifically itemized above, and including program specific consultation, data interpretation, regional office support, management and pre-and post program costs.

Notes:

- (1) Claims should be made by letter from the Representative to the Rights Administrator, Northern Oil and Gas Directorate, and contain a statement certified by an officer of the company or a professional engineer, geologist or geophysicist that the information in the statement is true and accurate to the best of their knowledge. The statement should provide a break down of actual costs for AT COST items and may be subject to post-audit. Claims for drilling operations and related charges should be accompanied by a cost statement prepared and certified by an external auditor satisfactory to the Minister.
- (2) Costs must be incurred by the explorer, and must fairly and reasonably reflect the expense to the explorer of exploratory work.
- (3) Claims are subject to approval by the Minister.
- (4) Approval is subject to confirmation that program reporting requirements have been met to the satisfaction of the Regulator.
- (5) Costs related to exploratory work within Period 1 of the Exploration Licence must be incurred prior to the end of Period I. Costs related to exploratory work within Period 2 of the licence must be incurred prior to the end of Period 2.
- (6) Costs attributed to exploratory work must be related to the evaluation of the specific licence. Costs which apply to more than one licence or program must be fairly apportioned.

**schedule to licences*

NORTHERN BENEFITS REQUIREMENTS ASSOCIATED WITH NEW EXPLORATION PROGRAMS

A. Benefits Statement of Principles

Companies engaged in exploration activities on frontier lands are expected to follow the principles outlined below.

It is recognized that the nature and duration of work programs must be considered in determining the extent to which companies are able to implement the benefits principles.

Industrial Benefits

The company is committed to obtaining its goods and services on a fair and competitive basis. The company will support and encourage the development of regional businesses by considering potential suppliers for work associated with the program on the basis of best value, competitiveness and benefits to the regional communities and by providing relevant information to the supply community. Within the context of its general procurement policy, the company will conduct its operations so as to optimize the short and long-term benefits accruing to the North by providing opportunities for involving northern businesses on a full, fair and competitive basis.

The company is committed to work with regional communities and government agencies to identify potential business development opportunities.

The company is committed to ensuring that its contractors follow the above with respect to all subcontracting opportunities.

Employment and Training

The company is committed to the principles of fair and equal employment and training opportunities consistent with the *Canadian Charter of Rights and Freedoms*. This commitment will promote fairness in employment opportunities and avoid employment practices which result in employment barriers. The company will give first consideration to qualified individuals resident in the regional communities.

The company is committed to work with regional communities and government agencies to identify potential employment and training opportunities.

The company is committed to ensuring that its contractors follow the above with respect to all employment and training opportunities.

Consultation

The company is committed to providing appropriate information concerning its exploration programs to concerned individuals, groups and communities in the region. Exchanging relevant information in a timely fashion will enable the company to assess the potential local economic and employment opportunities.

Compensation

The company will provide fair and equitable compensation, consistent with applicable territorial policies, to individuals involved in hunting, trapping and fishing in the event of adverse impacts demonstrated to result from project-related activities.

B. Annual Report Requirement

The company will submit an annual report within six months of the completion date of its seasonal work program.

The report should contain the following information:

- (i) a brief work program description;
- (ii) total program costs (total value of purchased goods and services, total direct wages and total direct work months);
- (iii) total direct wages by northern community of residence;
- (iv) total direct work months by community of residence;
- (v) number of northern community residents employed for each program component (e.g. seismic, drilling, support and construction);
- (vi) total value of purchased goods and services from each northern community, including a brief description of the goods and services purchased from each community;
- (vii) listing of consultations undertaken; and,
- (viii) a brief description of any programs that may be undertaken in the next work season.

Annual reports are to be sent to: Director
Oil and Gas Management Directorate
Department of Indian Affairs and Northern Development
GATINEAU QC K1A 0H4

C. Comprehensive Land Claim Settlement Agreements

The comprehensive land claim settlement agreements for the Inuvialuit, Gwich'in, Sahtu and Nunavut areas contain provisions regarding consultation and benefits as well as other matters such as land and water use, environmental review and surface access. When planning activities in these land claim settlement areas, companies are expected to familiarize themselves with the provisions of the relevant land claim settlement agreement and make early contact with the responsible aboriginal organization regarding procedures and time lines.