



2004

**CENTRAL MACKENZIE VALLEY
AND
BEAUFORT SEA / MACKENZIE DELTA**

CALL FOR BIDS

**Closing at Noon, Mountain Time
on June 07, 2004**

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 Northern Oil and Gas 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 Northern Oil and Gas Directorate at (819) 997-0877 or visit our website at www.ainc-inac.gc.ca/oil/.

MINISTER OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT

2004 CENTRAL MACKENZIE VALLEY AND

BEAUFORT SEA / MACKENZIE DELTA

CALL FOR BIDS

Closing at Noon Mountain Time, June 07, 2004

The Minister of Indian Affairs and Northern Development hereby calls for the submission of bids in respect of five (5) parcels comprising the following lands located in the Central Mackenzie Valley area of the Northwest Territories:

PARCEL CMV-1 - (approximately 90,632 hectares)

Issuance Fee: \$ 2,500.00

| Latitude | Longitude | Portion |
|-----------|------------|--|
| 64° 00' N | 124° 15' W | Sections 79-80 |
| 64° 00' N | 124° 30' W | Sections 8-10, 17-20, 27-30, 37-40, 47, 57, 67, 68, 77-79 |
| 64° 00' N | 124° 45' W | Sections 7-10, 17-20, 27-30, 37-40, 47-50, 57-60, 67-70, 77-80 |
| 64° 00' N | 125° 00' W | Sections 7-10, 17-20, 27-30, 37-40, 47-50, 57-60, 67-70, 77-80 |
| 64° 00' N | 125° 15' W | Sections 7-10, 17-20, 27-30, 37-40, 47-50, 57-60, 67-70, 77-80 |
| 64° 10' N | 124° 15' W | Sections 71-77 |
| 64° 10' N | 124° 30' W | Sections 1-7, 11-17, 21-27, 31-37, 41-47, 52-57, 63-67, 74-77 |
| 64° 10' N | 124° 45' W | Sections 1, ptn 3 (portion of section), 4-7, 11-17, 21-27, 31-37, 41-47, 51-57, 61-67, 71-77 |
| 64° 10' N | 125° 00' W | Sections 1-7, 11-17, 21-27, 31-35, 41-45, 51-55, 61-65, 71-75 |
| 64° 10' N | 125° 15' W | Sections 1-5, 11-15, 21-25, 31-35, 41-45, 51-55, 61-66, 71-76 |

PARCEL CMV-2 (85,840 hectares)

Issuance Fee: \$ 1,750.00

| Latitude | Longitude | Portion |
|-----------|------------|--|
| 65° 40' N | 129° 15' W | Sections 41-80 |
| 65° 40' N | 129° 30' W | Sections 1-80 |
| 65° 40' N | 129° 45' W | Sections 1-80 |
| 65° 30' N | 129° 15' W | Sections 46-50, 56-60, 66-70, 76-80 |
| 65° 30' N | 129° 30' W | Sections 6-10, 16-20, 26-30, 36-40, 46-50, 56-60, 66-70, 76-80 |
| 65° 30' N | 129° 45' W | Sections 6-10, 16-20, 26-30, 36-40, 46-50, 56-60, 66-70, 76-80 |
| 65° 30' N | 130° 00' W | Sections 6-10, 16-20, 26-30, 36-40 |

PARCEL CMV-3 (approximately 80,608 hectares)

Issuance Fee: \$ 1,000.00

| Latitude | Longitude | Portion |
|-----------|------------|---|
| 65° 40' N | 126° 00' W | Sections 1-80 |
| 65° 40' N | 126° 15' W | Sections 1-5, 10, 11-15, 20, 21-25, 30, 31-35, 40, 41-50, part of section 51, 52-60, part of section 61, 62-70, part of section 71, 74-80 |
| 65° 50' N | 126° 00' W | Sections 1-80 |
| 65° 50' N | 126° 15' W | Sections 1-80 |

For greater certainty, sections or partial sections described in this parcel which may fall within the Kelly Lake Protected Area as defined in Schedule XXII of Appendix E to the Sahtu Dene and Metis Comprehensive Land Claim Agreement, Volume II are specifically excluded from this licence.

PARCEL CMV-4 (27,488 hectares)

Issuance Fee: \$ 1,000.00

| Latitude | Longitude | Portion |
|-----------|------------|---|
| 66° 40' N | 126° 00' W | Sections 21-30, 31-40, 41-50, 51-60, 61-65, 71-75 |
| 66° 40' N | 126° 15' W | Sections 1, 2, 11, 21, 31 |
| 66° 50' N | 126° 00' W | Sections 6, 13-16, 21-26, 31-36, 41-46, 51-56, 62-66, 72-76 |
| 66° 50' N | 126° 15' W | Sections 2-6, 12-16, 25, 26 |

PARCEL CMV-5 (36,728 hectares)

Issuance Fee: \$ 2,000.00

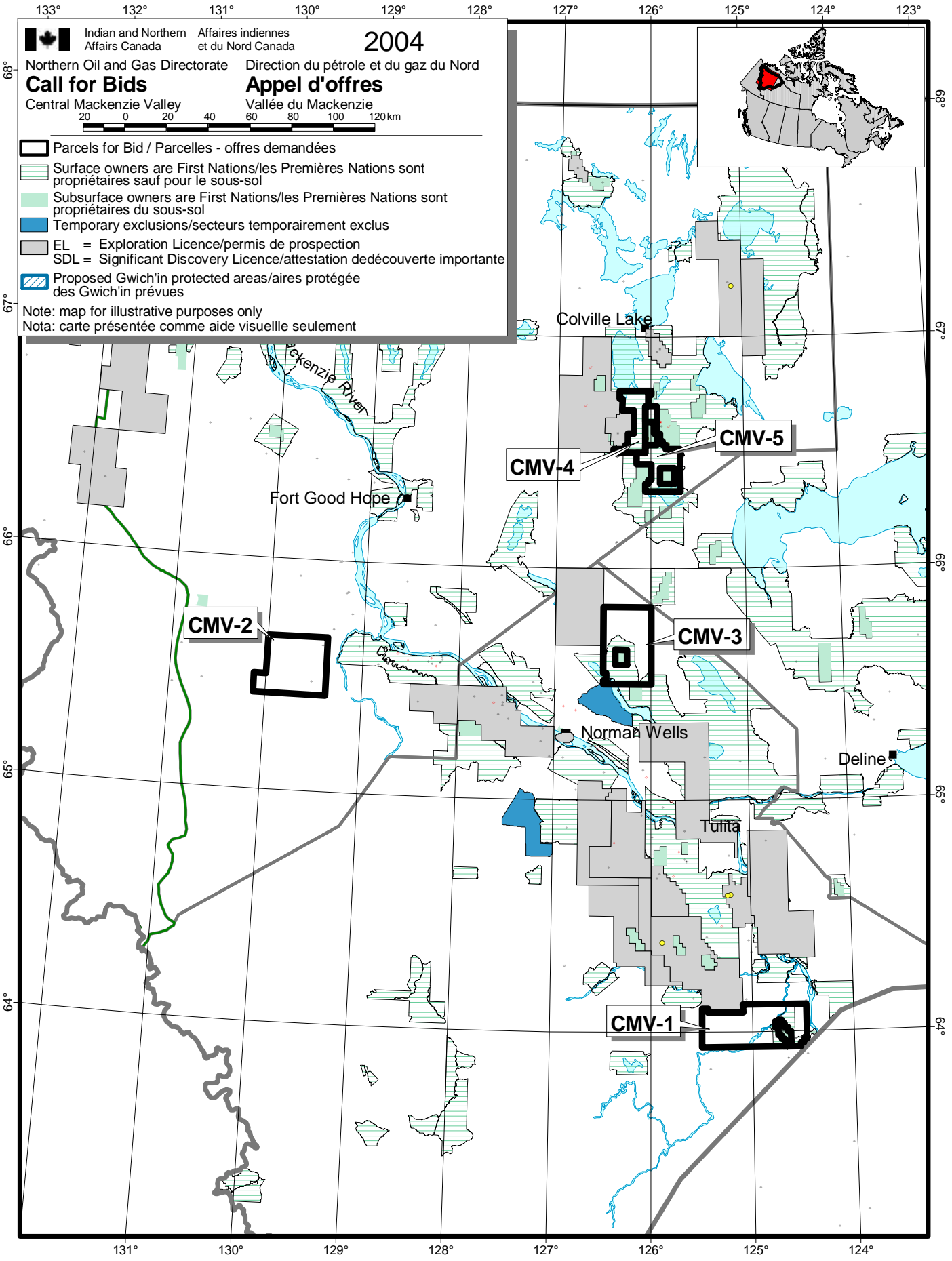
| Latitude | Longitude | Portion |
|-----------|------------|--|
| 66° 30' N | 125° 30' W | Sections 61-71, 71-80 |
| 66° 30' N | 125° 45' W | Sections 1, 2, 7-10, 11, 12, 17-20, 21, 22, 27-30, 31, 32, 37-40, 41, 42, 47-50, 51-80 |
| 66° 30' N | 126° 00' W | Sections 1-3, 8-10, 11, 12, 18-20, 28-30, 38-40, 48-50 |
| 66° 40' N | 125° 30' W | Sections 61, 71 |
| 66° 40' N | 125° 45' W | Sections 1, 11, 21, 31, 32, 41-43, 51-55, 61, 62, 66-70, 71, 72, 79, 80 |
| 66° 40' N | 126° 00' W | Sections 1, 2, 9, 10, 11, 12, 19, 20 |
| 66° 50' N | 125° 45' W | Sections 61, 62, 71, 72 |
| 66° 50' N | 126° 00' W | Sections 1, 2, 11, 12 |

The Minister of Indian Affairs and Northern Development hereby calls for the submission of bids in respect of one (1) parcel comprising the following lands located in the **Beaufort Sea / Mackenzie Delta area**:

PARCEL MD-1: (56,057 hectares)

Issuance Fee: \$ 2,250.00

| Latitude | Longitude | Portion |
|-----------------|------------------|--|
| 69° 20' N | 136° 30' W | Sections 1-10, 11-20, 21-30 |
| 69° 20' N | 136° 15' W | Sections 1-5, 11-15, 21-25, 31-35, 41-45, 51-55 |
| 69° 20' N | 136° 00' W | Sections 1-5, 11-15, 21-25, 31-35, 41-45, 51-55 |
| 69° 10' N | 136° 30' W | Sections 9-10, 19-20, 29-30 |
| 69° 10' N | 136° 15' W | Sections 10, 20, 30, 40, 50, 60 |
| 69° 10' N | 136° 00' W | Sections 1-10, 11-20, 26-30, 37-40, 48-50, 59-60 |
| 69° 00' N | 136° 00' W | Sections 5-10, 15-20, 25-29, 35, 36, 45 |
| 69° 00' N | 135° 45' W | Sections 4-6, 14-16, 24-26, 35, 36, 45, 46, 55, 56 |
| 69° 00' N | 135° 30' W | Sections 25, 26, 34-36, 44-46, 54-56 |



133° 132° 131° 130° 129° 128° 127° 126° 125° 124° 123°

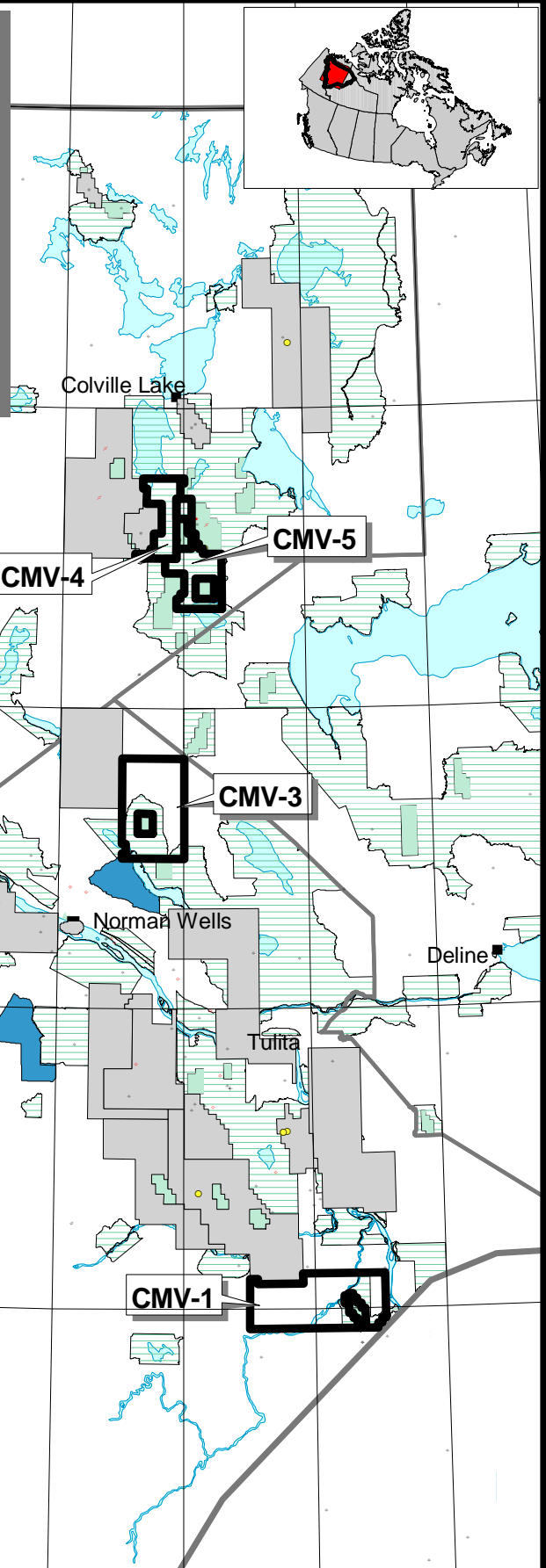
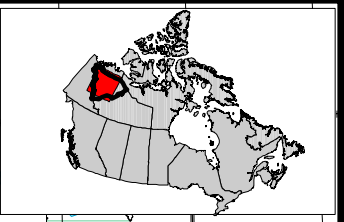
Indian and Northern Affairs Canada / Affaires indiennes et du Nord Canada
 Northern Oil and Gas Directorate / Direction du pétrole et du gaz du Nord
 2004

Call for Bids
Appel d'offres

Central Mackenzie Valley / Vallée du Mackenzie
 20 0 20 40 60 80 100 120 km

- Parcels for Bid / Parcelles - offres demandées
- Surface owners are First Nations/les Premières Nations sont propriétaires sauf pour le sous-sol
- Subsurface owners are First Nations/les Premières Nations sont propriétaires du sous-sol
- Temporary exclusions/secteurs temporairement exclus
- EL = Exploration Licence/permis de prospection
 SDL = Significant Discovery Licence/attestation de découverte importante
- Proposed Gwich'in protected areas/aires protégées des Gwich'in prévues

Note: map for illustrative purposes only
 Nota: carte présentée comme aide visuelle seulement



68° 67° 66° 65° 64°

131° 130° 129° 128° 127° 126° 125° 124°



Indian and Northern Affairs Canada
Affaires indiennes et du Nord Canada

2004

Northern Oil and Gas Directorate

Direction du pétrole et du gaz du Nord

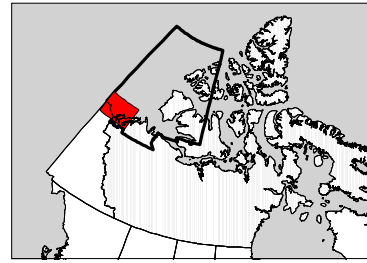
Call for Bids

Appel d'offres

Beaufort Sea - Mackenzie Delta

Mer de Beaufort - Delta du Mackenzie

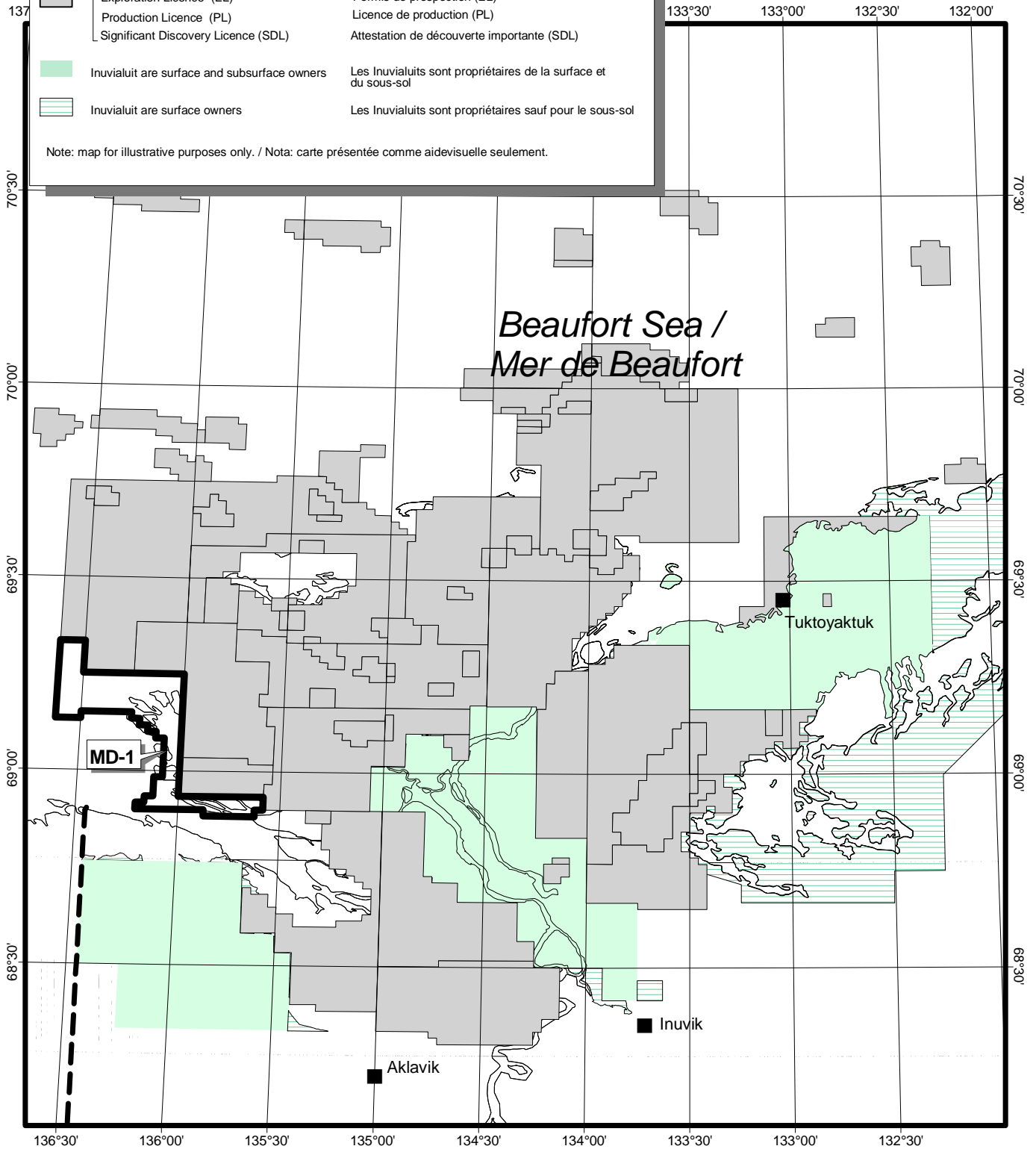
15 0 15 30 45 60 km



- | | | |
|--|--|---|
| | Parcels for Bid | Parcelles - offres demandées |
| | Exploration Licence (EL) | Permis de prospection (EL) |
| | Production Licence (PL) | Licence de production (PL) |
| | Significant Discovery Licence (SDL) | Attestation de découverte importante (SDL) |
| | Inuvialuit are surface and subsurface owners | Les Inuvialuits sont propriétaires de la surface et du sous-sol |
| | Inuvialuit are surface owners | Les Inuvialuits sont propriétaires sauf pour le sous-sol |

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

133°30' 133°00' 132°30' 132°00'



*Beaufort Sea /
Mer de Beaufort*

MD-1

Tuktoyaktuk

Inuvik

Aklavik

137

70°30'

70°00'

69°30'

69°00'

68°30'

70°30'

70°00'

69°30'

69°00'

68°30'

136°30' 136°00' 135°30' 135°00' 134°30' 134°00' 133°30' 133°00' 132°30'

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 **June 07, 2004**:

Rudi Klaubert
National Energy Board
Frontier Information Office
444 - 7th 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. "**2004 Central Mackenzie Valley and 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. "**2004 Central Mackenzie Valley and Beaufort Sea / Mackenzie Delta Call for Bids - Parcel MD-1**".

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 **Central Mackenzie Valley Call for Bids** will be eight (8) years consisting of two consecutive periods of four years each.

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) 953-8490. 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.inac.gc.ca/oil/index.html> .

16. Related Requirements

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

CENTRAL MACKENZIE VALLEY

Conditions Relating to the Environment

Operators wishing to conduct activities as a result of a Call for Bids will be required to comply with all federal environmental requirements as well as those defined in the Gwich'in and Sahtu Final Land Claim Agreements.

Site specific environmental operating terms and conditions may be imposed at the permitting stage pertaining to a variety of matters such as cut-lines, drilling fluids, waste discharges and operating seasons. Consultation with the appropriate Sahtu or Gwich'in Authority and appropriate government departments regarding such matters as hunting and trapping, fishing and other related activities will be necessary prior to regulatory approvals.

Specific environmental protection plans developed in consultation with the appropriate Sahtu or Gwich'in Authority 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 wildlife habitat, for example, moose/caribou, in the region.

The implementation of associated activity may require the hiring of a local monitor to observe and provide advice on a number of items including cut-lines/roads, disposal of wastes, fuel storage and other related matters.

Land Claims Requirements

The lands available for exploration are located within the Gwich'in Settlement Region and the Sahtu Settlement Region. Successful bidders shall adhere to the terms of the land claims settlement agreements reached with the Gwich'in and Sahtu Peoples. Interested parties are advised to obtain a copy of the appropriate land claim settlement agreements from the Frontier Information Office of the National Energy Board in Calgary.

Prospective bidders should be aware that the Gwich'in Tribal Council and the Government of the Northwest Territories have approved the proposed Gwich'in Land Use Plan (Plan). The Government of Canada is currently considering the Plan. The Plan provides for the development and utilization

of land, resources and waters within the Gwich'in Settlement area. Of specific note, the Plan recommends protection measures for specific lands. These areas (A, C and D) are noted on the call for nominations map, available by request or by downloading from our website.

Pending the Federal Government's approval of the Plan, anyone proposing to undertake oil and gas activities on these lands will be expected to undertake early and extensive consultations with the Gwich'in authorities. Access to these lands will likely be subject to special conditions, including environmental protection plans developed in consultation and discussion with the Gwich'in Tribal Council at (867) 777-4869. Further information concerning the Gwich'in Land Use Plan may be obtained by contacting the Gwich'in Land Use Planning Board in Inuvik, NWT, at area code (867): phone 777- 3506 or fax 777-2616.

In the Sahtu area, a Land Use Plan is being developed by the Sahtu Land Use Planning Board, and the first draft is expected to be available soon. Further information may be obtained by contacting the Sahtu Land Use Planning Board in Fort Good Hope at (867) 598-2055. In addition to the land use plan, a number of historic sites and heritage places have been recommended, and are outlined in a document titled "Places We Take Care Of", a report prepared by the Sahtu Heritage Places and Sites Joint Working Group".

This report is available from the Sahtu Secretariat Incorporated in Deline at: area code (867), phone 589-4719; fax 589-4908.

| Final Agreement Provisions | Gwich'in | Sahtu |
|---|-----------------|--------------|
| Commercial access | 20.4 | 21.4 |
| Consultation prior to the exercise of exploration rights | 21.1.3 | 22.1.3 |
| Interim measures for the provision of benefits where the Gwich'in or Sahtu are surface owners | 21.2 | 22.2 |

Interested parties are advised to obtain a copy of the appropriate land claim settlement agreement from the Frontier Information Office of the National Energy Board in Calgary. Excerpts from both the Gwich'in and Sahtu Final Agreements are available by request or by downloading from our website. The community contacts for each of the claims are identified in the **Information** section.

Northern Benefits Requirements

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

BEAUFORT SEA / MACKENZIE DELTA

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.

Parcel MD-1 lies within an area identified by the Inuvialuit and other wildlife specialists as being of particular importance. Bidders should be aware that operations within and adjacent to this area may be subject to additional regulatory terms and conditions.

For example, 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 and there may be conditions relating to drilling fluids and waste discharges.

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 available by request or by downloading from our website.

Information

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

Director
Northern Oil and Gas Directorate
Department of Indian Affairs and Northern Development
10 Wellington Street, 6th floor
GATINEAU QC K1A 0H4
Tel: (819) 997-0878; Fax: (819) 953-5828; Internet: Fortierm@inac.gc.ca

Right Issuance
Northern Oil and Gas 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.inac.gc.ca/oil/index.html>.

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

Data Management Administrator
Information Office
National Energy Board
444 - 7th Avenue S.W.
CALGARY AB T2P 0X8

Tel: (403) 299-3112

Fax: (403) 292-5503

2004 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
 Northern Oil and Gas Directorate
 Department of Indian Affairs and Northern Development
 HULL 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.

EXCERPTS FROM THE GWICH'IN FINAL AGREEMENT

(These excerpts are provided as information only; they are not a substitute for consulting the Final Agreement.)

21.1.3 Before any oil and gas exploration takes place, the person proposing to explore and the Gwich'in Tribal Council shall consult on the exercise of the person's exploration rights with respect to the matters listed in (a) to (h) below. Similar consultations shall be held before the exercise of a developer's rights to develop or produce:

- (a) environmental impact of the activity and mitigative measures;
- (b) impact on wildlife harvesting and mitigative measures;
- (c) location of camps and facilities and other related site specific planning concerns;
- (d) maintenance of public order including liquor and drug control;
- (e) Gwich'in employment, business opportunities and contracts, training orientation and counselling for Gwich'in employees, working conditions and terms of employment;
- (f) expansion or termination of activities;
- (g) a process for future consultations; and
- (h) any other matter of importance to the Gwich'in or the person.

Such consultations are not intended to result in any obligations in addition to those required by legislation.

21.2 Interim Measures

21.2.1 (a) Prior to the transfer of jurisdiction described in 21.1.6 [Canada-N.W.T. Northern Accord] any person who proposes to explore for, develop or produce oil and gas on Gwich'in lands described in 18.1.2 (a) [where the Gwich'in are surface owner] shall, in addition to any other obligations under this agreement, submit a benefits plan to the Minister of Indian Affairs and Northern Development for approval.

(b) The Minister of Indian Affairs and Northern Development may require that the benefits plan in (a) contain provisions to ensure access to training and employment opportunities and to facilitate participation by the Gwich'in in the supply of goods and services.

(c) Any person who proposes to explore for, develop or produce oil and gas on Gwich'in lands described in 18.1.2 (a) shall consult the Gwich'in Tribal Council prior to the submission and during the implementation of the benefits plan.

For more information regarding the terms and requirements arising out of the Gwich'in Land Claim Settlement Agreement, please contact:

President
Gwich'in Tribal Council
P.O. Box 1509
INUVIK NT X0E 0T0

Phone: (867) 777-4869
Fax: (867) 777-4538

EXCERPTS FROM THE SAHTU FINAL AGREEMENT

(These excerpts are provided as information only; they are not a substitute for consulting the Final Agreement.)

22.1.3 Before any oil and gas exploration takes place, the person proposing to explore and the Sahtu Tribal Council* shall consult on the exercise of the person's exploration rights with respect to the matters listed in (a) to (h) below. Similar consultations shall be held before the exercise of a developer's rights to develop or produce.

- (a) environmental impact of the activity and mitigative measures;
- (b) impact on wildlife harvesting and mitigative measures;
- (c) location of camps and facilities and other related site specific planning concerns;
- (d) maintenance of public order including liquor and drug control;
- (e) employment of participants, business opportunities and contracts, training orientation and counselling for employees who are participants, working conditions and terms of employment;
- (f) expansion or termination of activities;
- (g) a process for future consultations; and
- (h) any other matter of importance to the participants or the person.

Such consultations are not intended to result in any obligations in addition to those required by legislation.

22.2 Interim Measures

22.2.1 (a) Prior to the transfer of jurisdiction described in 22.1.6 [Canada-N.W.T. Northern Accord] any person who proposes to explore for, develop or produce oil and gas on Sahtu lands described in 19.1.2 (a) [where the Sahtu are surface owner] shall, in addition to any other obligations under this agreement, submit a benefits plan to the Minister of Indian Affairs and Northern Development for approval.

(b) The Minister of Indian Affairs and Northern Development may require that the benefits plan in (a) contain provisions to ensure access to training and employment opportunities and to facilitate participation by the participants [the Sahtu] in the supply of goods and services.

(c) Any person who proposes to explore for, develop or produce oil and gas on Sahtu lands described in 19.1.2 (a) shall consult the Sahtu Tribal Council* prior to the submission and during the implementation of the benefits plan.

*The rights granted to the Sahtu Tribal Council pursuant to clauses 22.1.3 and 22.2.1 have been assigned to various corporations. The following are the communities in the Sahtu and corporations that must be consulted on activities near these communities.

GWICH'IN LAND AREAS

For more information regarding the terms and requirements arising out of the Gwich'in land claim settlement agreement, please contact:

President
Gwich'in Tribal Council
P.O. Box 1509
INUVIK NWT
X0E 0T0
phone: (867) 777-4869
fax: (867) 777-4538
E-Mail:

SAHTU LAND AREAS

For more information, regarding the terms and requirements arising out of the Sahtu land claim settlement agreement, please contact the designated Sahtu organization nearest to the proposed exploration area.

Norman Wells and Tulita Area

President
Tulita Land Corporation
c/o Fort Norman Dene Band
General Delivery
FORT NORMAN N.W.T. X0E 0K0
phone: (867) 588-3734
fax: (867) 588-4025
E-Mail:

President
Fort Norman Metis Land Corporation
c/o Fort Norman Metis Nation
Local #60
General Delivery
FORT NORMAN N.W.T.
X0E 0K0
phone: (867) 588-3201
fax: (867) 588-4025
E-Mail:

Fort Good Hope/ Colville Lake Area

President
Yamoga Lands Corporation
c/o Fort Good Hope Dene Band
P.O. Box 18
FORT GOOD HOPE N.W.T.
X0E 0H0
phone: (867) 598-2519
fax: (867) 598-2437
E-Mail:

President
**Fort Good Hope Metis Local #54
Land Corporation**
c/o Fort Good Hope Metis Nation
Local #54
General Delivery
FORT GOOD HOPE N.W.T.
X0E 0Y0
phone: (867) 598-2105
fax: (867) 598-2160
E-Mail:

President
Ayoni Keh Land Corporation
c/o Colville Lake First Nation Band
via NORMAN WELLS NWT
X0E 0V0
Phone: (867) 709-2200
Fax: (867) 709-2202
E-Mail:

Déline Area

President

Déline Land Corporation

c/o Déline Dene Band

P.O. Box 158

DÉLINE N.W.T.

X0E 0G0

phone: (867) 589-3618

fax: (867) 589-3826

E-Mail: