



2007

BEAUFORT SEA / MACKENZIE DELTA

CALL FOR BIDS

**Closing at Noon, Mountain Time
on July 17, 2007**

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

PART "A"
2007 BEAUFORT SEA / MACKENZIE DELTA
CALL FOR BIDS

Closing at Noon, Mountain Time, July 17, 2007

The Minister of Indian Affairs and Northern Development hereby calls for the submission of bids in respect of three (3) parcels comprising the following lands located in the Beaufort Sea/Mackenzie Delta area:

PARCEL No. BS-1

(205,321 hectares more or less)

Issuance Fee: \$ 3,250.00

Latitude Longitude Part

71° 00' N	136° 30' W	sections 1-7
71° 00' N	136° 00' W	sections 1-5, 11-15, 21-25, 31-35, 41-45, 51-58, 61-68, 71-78, 81-88, 91-98
71° 00' N	135° 30' W	sections 1-5, 11-15, 21-25, 31-35, 41-45, 51-55, 61-65, 71-75, 81-85, 91-95
71° 00' N	135° 00' W	sections 51-53, 61-64, 71-74, 81-84, 91-94
70° 50' N	136° 30' W	sections 4-10, 14-20, 24-30, 34-40, 44-50, 54-60, 66-70
70° 50' N	136° 00' W	sections 1-100
70° 50' N	135° 30' W	sections 1-100
70° 50' N	135° 00' W	sections 54-58, 64-68, 71-78, 81-89, 91-100
70° 40' N	136° 00' W	sections 7-10, 17-20, 27-30, 37-40, 47-50, 57-60, 67-70, 77-80, 87-90, 97-100
70° 40' N	135° 30' W	sections 1-40, 47-50, 57-60, 67-70, 77-80, 87-90, 97-100
70° 40' N	135° 00' W	sections 21, 22, 31-33, 41-44, 51-100
70° 30' N	135° 30' W	sections 10, 20, 30, 40
70° 30' N	135° 00' W	sections 30, 40, 50, 60, 70, 80, 90, 100

PARCEL No. BS-2

(103,711 hectares more or less)

Issuance Fee: \$ 2,500.00

Latitude Longitude Part

70° 00' N	134° 30' W	sections 21-28, 31-38, 41-48, 51-58
70° 00' N	134° 45' W	sections 1-8, 11-18, 21-28, 31-38, 41-48, 51-58
70° 00' N	135° 00' W	sections 1-8
69° 50' N	134° 15' W	sections 1-8, 11-18, 21-28, 31-60
69° 50' N	134° 30' W	sections 1-60
69° 50' N	134° 45' W	sections 1-60
69° 50' N	135° 00' W	sections 1-10, 11-19, 22-29, 33-39
69° 40' N	134° 15' W	sections 8-10, 18-20, 28-30, 38-40, 48-50, 58-60
69° 40' N	134° 30' W	sections 8-10, 18-20, 28-30, 38-40, 48-50, 58-60
69° 40' N	134° 45' W	sections 8-10, 18-20, 28-30, 38-40, 49, 50, 60

PARCEL No. BS-3

(108,185 hectares more or less)

Issuance Fee: \$ 2,500.00

Latitude Longitude Part

69° 50' N	137° 15' W	sections 1-30, 35-40, 47-50, 51, 58-60
69° 50' N	137° 30' W	sections 1-2, 8-10, 11-13, 19-24, 29-35, 38-40, 41-50, 52-60
69° 50' N	137° 45' W	sections 3-10, 14-20, 24-30, 34-40, 44-50, 51, 54-60
69° 50' N	138° 00' W	sections 1-30, 31-37, 41-47, 51-57
69° 40' N	137° 30' W	sections 1-4, 11-14, 21-24, 31-34, 41-47, 51-57
69° 40' N	137° 45' W	sections 1-7, 11-18, 21-29, 31-39, 41-60
69° 40' N	138° 00' W	sections 1-60
69° 30' N	137° 30' W	sections 9, 10, 19, 20, 29, 30, 39, 40, 49, 50, 59, 60
69° 30' N	137° 45' W	sections 9, 10, 19, 20, 29, 30, 39, 40, 49, 50, 59, 60
69° 30' N	138° 00' W	sections 9, 10, 19, 20, 29, 30, 39, 40, 49, 50, 60

MAP

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 **July 17, 2007**:

Lori Ann Sharp
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. "**2007 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. "**2007 Beaufort Sea / Mackenzie Delta Call for Bids - Parcel BS-__**".

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 of Part B**) and the work deposit (**clause 10 of Part B**).

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.

Guidance Notes as claiming allowable expenditures may be downloaded from our website at: http://www.ainc-inac.gc.ca/oil/act/pub/allowExpen_e.html

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 are advised to carefully review the environmental elements 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.

Following an extensive aerial reconnaissance in 2006, the territorial Department of Environment and Natural Resources recently concluded that there are significant declines in the Cape Bathurst and Bluenose-West caribou herds. Operators should be aware that oil and gas activity in the range of both the Cape Bathurst and the Bluenose-West herds may be subject to restrictions when caribou migrate into the project area.

In addition, the entire onshore of the call area is grizzly bear habitat. The Committee on the Status of Endangered Wildlife in Canada (COSEWIC) has recommended that grizzly bears be listed as "vulnerable" under the Federal Species at Risk Act. Additional mitigative measures may be required at the activity stage. Potential operators should contact the Department of Environment and Natural Resources in Inuvik (Marsha Branigan, Manager Wildlife Management) for further information at (867) 777-7310.

Fisheries and Oceans has proposed the Tarium Niryutait Marine Protected Area (MPA) for the Beaufort Sea, offshore of the Mackenzie Delta. The proposed MPA consists of 3 areas, Imaryuk (Shallow Bay), Okeevik (east Mackenzie Bay near Kendall and Pelly Islands) and Kittigaryuit (Kugmallit Bay). Industry is encouraged to consult with Fisheries and Oceans prior to any proposed work activities in the onshore/offshore that could impact marine habitat, by contacting the Habitat Biologist in Inuvik at (867) 777-7500.

Also, some offshore areas could be a migratory route for whales and be considered sensitive. 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 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
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) 997-0048; Fax: (819) 953-5828; Internet: StjeanLL@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.

Guidance Notes as claiming allowable expenditures may be downloaded from our website at:
http://www.ainc-inac.gc.ca/oil/act/pub/allowExpen_e.html

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 1. 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.

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.

