

**2008 BEAUFORT SEA / MACKENZIE DELTA CALL FOR BIDS
PART A - Region Specific - TERMS AND CONDITIONS
Closing at noon, Mountain Time on June 2, 2008**

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 **Beaufort Sea/Mackenzie Delta** area:

PARCEL No. BSMD-1

(202,380 hectares more or less)

Issuance Fee: \$2,500.00

<u>Latitude</u>	<u>Longitude</u>	<u>Part</u>
71° 00' N	134° 00' W	sections 12-20, 22-30, 32-40, 42-50, 52-60, 62-70, 72-80, 82-90, 92-100
71° 00' N	134° 30' W	sections 2-10, 12-20, 22-30, 32-40, 42-50, 52-60, 65-70, 75-80, 85-90, 95-100
71° 00' N	135° 00' W	sections 5-10, 15-20, 25-30, 35-40, 45-50, 55-60, 65-70, 75-80, 85-90, 95-100
71° 00' N	135° 30' W	sections 8-10, 18-20, 28-30, 38-40, 48-50, 60, 70, 80, 90, 100
71° 10' N	134° 00' W	sections 11-14, 21-24, 31-34, 41-44, 51-54, 61-64, 71-74, 81-84, 91-94
71° 10' N	134° 30' W	sections 1-4, 11-100
71° 10' N	135° 00' W	sections 1-100
71° 10' N	135° 30' W	sections 1-100
71° 20' N	135° 00' W	sections 41, 51-52, 61-62, 71-72, 81-82, 91-92
71° 20' N	135° 30' W	sections 1-2, 11-12, 21-22, 31-32, 41-42, 51-52, 61-62, 71-72, 81-82, 91-92

PARCEL No. BSMD-2

(41,323 hectares more or less)

Issuance Fee: \$1,500.00

<u>Latitude</u>	<u>Longitude</u>	<u>Part</u>
69° 30' N	133° 45' W	sections 20 S/2, 28 S/2, 29-30, 37-40, 46-50, 56-60
69° 30' N	134° 00' W	sections 6-10, 16-20, 23-30, 33-40, 43-47, 49-50, 53-54, 59-60
69° 30' N	134° 15' W	sections 3, 8-10, 19-20, 29-30, 38-40
69° 40' N	133° 45' W	sections 12 N/2, 13 S/2, 21-22, 23 S/2, 31-33, 41-43, 51-54
69° 40' N	134° 00' W	sections 1-5, 11-15, 21-27, 31-37, 41-47, 51-57
69° 40' N	134° 15' W	sections 1-7, 11-14, 21-24, 31-35

PARCEL No. BSMD-3

(205,359 hectares more or less)

Issuance Fee: \$3,750.00

<u>Latitude</u>	<u>Longitude</u>	<u>Part</u>
70° 40' N	133° 00' W	sections 7-10, 17-20, 27-30, 37-40, 47-50, 57-60, 70, 80, 90, 100
70° 40' N	133° 30' W	sections 10, 20, 30, 40, 50, 60, 70, 80, 90, 99-100
70° 40' N	134° 00' W	sections 9-10, 19-20, 29-30, 39-40, 49-50, 59-60, 69-70, 79-80, 88-90, 97-100
70° 40' N	134° 30' 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° 00' W	sections 7-10, 17-20, 27-30, 37-40, 47-50
70° 50' N	132° 30' W	sections 88, 98
70° 50' N	133° 00' W	sections 1-8, 11-18, 21-28, 31-38, 41-48, 51-58, 61-68, 71-78, 81-88, 91-98
70° 50' N	133° 30' W	sections 1-8, 11-18, 21-28, 31-38, 41-48, 51-58, 61-63, 66-73, 76-80, 81-83, 86-93, 96-100
70° 50' N	134° 00' W	sections 1-3, 6-13, 16-100
70° 50' N	134° 30' W	sections 1-100
70° 50' N	135° 00' W	sections 1-53, 59-63, 69-70, 79-80, 90
71° 00' N	133° 30' W	sections 61, 71, 81, 91
71° 00' N	134° 00' W	sections 1, 11, 21, 31, 41, 51, 61, 71, 81, 91
71° 00' N	134° 30' W	sections 1, 11, 21, 31, 41, 51, 61-64, 71-74, 81-84, 91-94
71° 00' N	135° 00' W	sections 1-4, 11-14, 21-24, 31-34, 41-44, 54

PARCEL No. BSMD-4

(196,497 hectares more or less)

Issuance Fee: \$2,750.00

<u>Latitude</u>	<u>Longitude</u>	<u>Part</u>
70° 20' N	133° 30' W	sections 46-50, 56-60, 66-70, 76-80, 86-100
70° 20' N	134° 00' W	sections 1-9, 11-19, 21-29, 31-39, 41-100
70° 20' N	134° 30' W	sections 1-40, 49-50, 59-60
70° 30' N	133° 30' W	sections 41-47, 51-57, 61-67, 71-77, 81-87, 91-100
70° 30' N	134° 00' W	sections 5-10, 16-20, 26-30, 36-100
70° 30' N	134° 30' W	sections 1-60, 62-70, 72-80, 82-90, 92-100
70° 30' N	135° 00' W	sections 10, 20
70° 40' N	133° 30' W	sections 91-98
70° 40' N	134° 00' W	sections 1-8, 11-18, 21-28, 31-38, 41-48, 51-58, 61-68, 71-78, 81-87, 91-96
70° 40' N	134° 30' W	sections 1-6, 11-16, 21-26, 31-36, 41-46, 51-56, 61-66, 71-76, 81-86, 91-96
70° 40' N	135° 00' W	sections 1-6, 11-16, 23-26, 34-36, 45, 46

PARCEL No. BSMD-5

(203,635 hectares more or less)

Issuance Fee: \$3,500.00

<u>Latitude</u>	<u>Longitude</u>	<u>Part</u>
70° 30' N	132° 00' W	sections 69-70, 79-80, 89-90, 99-100
70° 30' N	132° 30' W	sections 9-10, 19-20, 29-30, 88-90, 98-100
70° 30' N	133° 00' W	sections 8-10, 18-20, 28-30, 38-40, 48-50, 58-60
70° 40' N	131° 30' W	sections 91-97
70° 40' N	132° 00' W	sections 1-100
70° 40' N	132° 30' W	sections 1-30, 32-40, 42-50, 52-60, 62-70, 72-100
70° 40' N	133° 00' W	sections 1-6, 11-16, 21-26, 31-36, 41-46, 51-56
70° 50' N	132° 00' W	sections 1-100
70° 50' N	132° 30' W	sections 1-87, 91-97
71° 00' N	132° 00' W	sections 1-2, 11-12, 21-22, 31-32, 41-42, 51-52, 61-62, 71-72, 81-82, 91-92
71° 00' N	132° 30' W	sections 1-2, 11-12, 21-80, 82-90, 97-100
71° 00' N	133° 00' W	sections 7-10
71° 10' N	132° 30' W	sections 21, 31, 41-43, 51-53, 61-63, 71-73, 81-83, 91-93
71° 10' N	133° 00' W	sections 1-3

MAP

To be read in conjunction with Part B

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

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

The term for exploration licences issued from the **2008 Beaufort Sea/Mackenzie Delta Call for Bids** will be nine (9) years consisting of two consecutive periods of five (5) and four (4) years.

2. Information 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 Final 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 hatched 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 bidders 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, all onshore lands 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.

In discussions with Department of Fisheries and Oceans, companies may wish to

assess Migratory routes for whales which be considered sensitive.

Work seasons may be restricted to months when the proposed 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.

3. Land Claims Requirements

The successful bidder shall comply with the terms of the Inuvialuit Final Agreement. Interested parties should be familiar with the Agreement found from the website at: http://www.ainc-inac.gc.ca/pr/agr/inu/wesar_e.html

4. Northern Benefits Requirements

The successful bidder shall adhere to the **Northern Benefits Requirements Associated with New Exploration Programs** which is attached.

PART B:
General Terms and Conditions of a Call for Bids
North of 60°

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

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, to the following address prior to NOON, Mountain Time on date specified in **Part A** of the Bid Package:

Data Coordinator/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. The inner envelope(s) should be clearly marked with the date, call name and parcel number.

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 11**).

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 is stated in **Part A** of the Bid Package.

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.

10. 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 forfeited to the Receiver General for Canada 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.

11. 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 reached 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 subject to the exploration licence during Period 1 of the term, Work Deposits are refundable at the rates established in the Schedule of Allowable Expenditures.

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 as expenditures incurred in Period 2 will not be credited against the work bid deposit.

12. Rentals

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

Rentals are not applicable during Period 1 of the term.

Rentals paid during Period 2 are refundable at the rates established in the Schedule of Allowable Expenditures.

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 beyond the 4th year due to the drilling of a well.

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.

13. Allowable Expenditures

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

Costs related to exploratory work undertaken as part of a program authorized by the National Energy Board may be claimed AT COST.

Refunds of the work deposits of Period 1 and the rentals of Period 2, will be done in accordance with the Schedule of Allowable Expenditures, which provides an overview of the classes of exploratory work.

The Schedule of Allowable Expenditures is available by request or downloading from our website http://www.ainc-inac.gc.ca/oil/act/Cal/Stan/2001/expand_e.html

Guidance Notes

Guidance Notes on claiming Allowable Expenditures is available by downloading from our website http://www.ainc-inac.gc.ca/oil/act/pub/allowExpen_e.html

These notes describe the classes and scope of expenditures which may be viewed as allowable under the terms of exploration licences (ELs) issued pursuant to the *Canada Petroleum Resources Act* (CPRA) in areas under the jurisdiction of the Minister of Indian and Northern Affairs, and are intended to assist an interest holder or Representative of the interest owner of ELs to claim refunds from the Northern Oil and Gas Directorate of the Department of Indian and Northern Affairs.

14. 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.

15. 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.

16. 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/act/Cal/index_e.html

17. Related Requirements

The exercise of petroleum exploration rights is subject to specific terms and conditions in effect for the region of the Call and are found in **Part A** of the Call Package and include:

- Conditions Relating to the Environment
- Land Claims Requirements
- Northern Benefits Requirements

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 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 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 **three** 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;
- (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
 OTTAWA ON 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.

Contact

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
Department of Indian Affairs and Northern Development
15/25 Eddy Street, 10th Floor
OTTAWA ON K1A 0H4
Tel: (819) 934-9392; Fax: (819) 953-5828
E-mail: Vandervalkm@inac.gc.ca

Rights Administration – Deputy Registrar
Northern Oil and Gas Branch
Department of Indian Affairs and Northern Development
15/25 Eddy Street, 10th Floor
OTTAWA ON K1A 0H4
Tel: (819) 997-0048; Fax: (819) 953-5828
E-mail: 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/Lori Ann Sharp
National Energy Board
Exploration and Production
444 Seventh Avenue SW
CALGARY AB T2P 0X8

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