

PART A
Terms and Conditions of the 2003
Central Mackenzie Valley Call for Bids

The Minister of Indian Affairs and Northern Development hereby calls for the submission of bids in respect of one parcel comprising the following lands:

PARCEL 1 (79 668 hectares more or less) Issuance Fee = \$1500.00

<u>Latitude</u>	<u>Longitude</u>	<u>Portion</u>
64° 50' N	126° 00' W	sections 1-5, 11-15, 21-80
64° 50' N	126° 15' W	sections 1-58, 61-68, 71-78
64° 50' N	126° 30' W	sections 1-8, 11-18, 21-28, 31-38
65° 00' N	126° 00' W	sections 21-37, 41-47, 51-57, 61-67, 71-77
65° 00' N	126° 15' W	sections 1-50
65° 10' N	126° 15' W	sections 1-3, 11-13, 21-23, 31-33, 41-43, 51, 52, 61

Terms and Conditions of the 2003 Central Mackenzie Valley 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.

Term - *Canada Petroleum Resources Act s.s. 14.3 ©*

The term for exploration licences issued from the **2003 Central Mackenzie Valley Call for Bids** will be eight (8) years consisting of two consecutive periods of four years each.

3. Submission of Bids - *Canada Petroleum Resources Act s.s. 14.3 (e), (f)*

Sealed bids must be delivered, either by registered mail or in person, to the following address prior to **NOON**, Mountain Time on **May 27, 2003**:

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. "2003 Central Mackenzie Valley Call for Bids". The inner envelope(s) should be clearly marked with the date, call name and parcel number, i.e. "2003 Central Mackenzie Valley Call

for Bids - Parcel 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 Work Deposit (**clause 10 of Part B**) and the issuance fee (**clause 6 of Part B**).

4. Related Requirements

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

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.

Information

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

Director, Northern Oil and Gas,
Indian and Northern Affairs Canada
OTTAWA Ontario K1A 0H4
Tel: (819) 997-0878 Fax: (819) 953-5828 Internet: Fortiarm@inac.gc.ca

Rights Issuance, Northern Oil and Gas,
Indian and Northern Affairs Canada
OTTAWA Ontario 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>

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

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

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

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

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

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

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

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

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 Directorate 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:

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. 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 Work Deposit (**clause 10**) and the issuance fee (**clause 6**).

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.

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.

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 reached 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 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 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)*

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 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.

12. Allowable Expenditures* - *Canada Petroleum Resources Act s.s. 14.3 ©*

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*

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.html>

16. 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