



Proposed 2011-2012 Call for Bids
BEAUFORT SEA & MACKENZIE DELTA



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**Proposed 2011-2012 Call for Bids
BEAUFORT SEA & MACKENZIE DELTA
Terms and Conditions**

Closing date: to be announced

The management of oil and gas resources north of latitude 60°N in the Northwest Territories, Nunavut and northern offshore is a federal responsibility managed by the Northern Oil and Gas Branch of Aboriginal Affairs and Northern Development Canada.

1. Call for Bids

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

PARCEL (____ hectares) Issuance Fee = \$ _____		
Latitude	Longitude	Section(s)

PARCEL(S) DESCRIPTION AND MAP WILL BE INSERTED IN FINAL PACKAGE

2. Acceptance and Agreement

Canada Petroleum Resources Act subsection. 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 *Northern Benefits Requirements Associated with New Exploration Programs*, copies of which are attached.

3. Submission of Bids

Canada Petroleum Resources Act, paragraph 14(3)(e) and 14(3)(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 to be announced***.

Group Leader, Data Management
Operation Business Unit
National Energy Board
444 Seventh Avenue S.W.
CALGARY AB T2P 0X8

Each bid submitted in response to a Call for Bids 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. **2011-2012 Call for Bids - Beaufort Sea & Mackenzie Delta**. The inner envelope(s) should be clearly marked with the date, Call name and parcel number", i.e. **2011-2012 Call for Bids - Beaufort Sea & Mackenzie Delta - Parcel No ____**.

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

The *Bid Submission Form* is included in this package.

To be accepted, bids must be accompanied by separate financial instruments in respect of the issuance fee (clause 9) and the Bid Deposit (clause 13(a)).

4. Bid Selection Criterion

Canada Petroleum Resources Act, paragraph 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, paragraph 14(3)(d)

Work proposal bids of less than one million dollars for each parcel will not be considered.

6. Acceptance/Rejection of Bids

Canada Petroleum Resources Act, paragraph 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).

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



7. Tied Bids

In the event of two or more bids being tied, each bidder will be notified and have the opportunity to submit a new bid by 4 P.M. (EDT) the day following notification.

8. Notification of Results

Bidding results will be made available as soon as possible following the closing of the Call via posting on the Northern Oil and Gas Branch website:
www.aadnc-aandc.gc.ca/eng/1100100036535

The identities of unsuccessful bidders and the amounts of their bids will not be disclosed.

9. Issuance Fees

Frontier Lands Registration Regulations, section 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".

10. Issuance of Licence

Canada Petroleum Resources Act paragraph 16(1) and 16(2)

The Minister is not required to issue an interest as a result of a Call for Bids. The Minister may issue an interest to the successful bidder within six (6) months after the closing date specified in the Call for Bids.

11. Exploration Licence

Canada Petroleum Resources Act paragraph 14(3) (a)

Any Exploration Licence which may result from a Call for Bids will be issued pursuant to the *Canada Petroleum Resources Act*, 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. The proposed Exploration Licence for the 2011-2012 Call for Bids is attached.

Term

Canada Petroleum Resources Act paragraph 14(3) (c)

The term for Exploration Licences issued from the 2011-2012 Call for Bids - Beaufort Sea & Mackenzie Delta will be nine (9) years.

For parcels which lie south of Line A on the call map, the term of nine (9) years will consist of two consecutive periods of five (5) and four (4) years.



For those parcels which lie north of, or straddle, Line A on the call map, the term of nine (9) years will consist of two consecutive periods of seven (7) and two (2) years.

12. Work Program

Canada Petroleum Resources Act, paragraph 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.

To meet this requirement, 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 meet this requirement on the lands by the end of Period 1 will result in the termination of the Exploration Licence. Consequently, lands revert to the Crown.

13. Deposits

(a) Bid Deposit

- (i) Each bid must be accompanied by a Bid Deposit for the specific parcel in the amount of ten thousand dollars, in the form of a certified cheque, money order or bank draft payable to the "Receiver General for Canada". Each Bid Deposit must relate to a single parcel.
- (ii) Bid Deposits will be returned to unsuccessful bidders, without interest, following announcement of the winning bidder(s).
- (iii) The Bid Deposit will be returned to the winning bidder, without interest, once the Work Deposit is received by the Rights Administrator.

(b) Work Deposit

- (i) The successful bidder will be required to post 25% of the work proposal bid as security for the performance of work within 15 working days. This period commences the day following the notice of winning bids being posted on the Northern Oil and Gas Branch website. This deposit will be referred to as the Work Deposit.



- (ii) Failure to post the Work Deposit as security for the performance of work will result in forfeiture of the Bid Deposit and disqualification of the bid. In that event, the Minister may, if he sees fit, select the second highest bidder as the winner without making another Call for Bids.
- (iii) 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. Company cheques are not considered negotiable financial instruments for this purpose. A sample letter of credit is attached.
- (iv) Parties submitting a joint bid may submit separate guarantees representing their proportionate share of the required Work Deposit, within 15 working days. This period commences the day following the notice of winning bids being posted on the Northern Oil and Gas Branch website. The bid representative as designated on the bid submission form will be responsible for collecting and submitting the holders' share of the Work Deposit.
- (v) As expenditures are incurred exploring the Exploration Licence during Period 1 of the term, Work Deposits are refundable in accordance with the *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.
- (vi) 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.

(c) Drilling Deposit

The interest owner may, at its option, in order to meet the work program, extend Period 1 for one year by posting a Drilling Deposit, payable to the Receiver General for Canada 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 one million dollars 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.

Successive one-year extensions to Period 1 are possible by the posting of further Drilling Deposits of one million dollars prior to the end of the extended period. This means, in effect, that with application for a successive extension, the previous year's Drilling Deposit is forfeit on the anniversary of the licence.

The *Canada Petroleum Resources Act* does not permit the overall term of the licence to extend beyond nine years. As a result, any extension to Period 1 will result in an associated reduction to Period 2.

For those Licences consisting of two consecutive periods of five (5) and four (4) years 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.

14. Rentals

Canada Petroleum Resources Act, paragraph 14(3)(c)

Rentals are not applicable during Period 1 of the term.

Rentals paid during Period 2 are refundable in accordance with the *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:

For Licences consisting of two consecutive periods of 5 and 4 years:	For Licences consisting of two consecutive periods of 7 and 2 years:
1 st year \$3.00/ha	1 st and 2 nd year \$8.00/ha
2 nd year \$5.50/ha	
3 rd and 4 th 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.



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 *Canada Petroleum Resources Act*, 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.

15. Allowable Expenditures

Canada Petroleum Resources Act, paragraph 14(3)(c)

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 consultations, data interpretation, regional office support, management and pre-and post program costs.

Guidance Notes on Claiming Allowable Expenditures

(www.aadnc-aandc.gc.ca/eng/1100100036405) describe the classes and scope of expenditures which may be viewed as allowable under the terms of Exploration Licences issued pursuant to the *Canada Petroleum Resources Act* in areas under the jurisdiction of the Minister of Indian Affairs and Northern Development, and are intended to assist interest owners of Exploration Licences to claim refunds from the Northern Oil and Gas Branch of Aboriginal Affairs and Northern Development Canada. The Guidance Notes may be amended from time to time.

16. Environmental Studies Research Fund (ESRF) Levies

Canada Petroleum Resources Act section 81

Upon issuance of an Exploration licence, the interest owner must pay ESRF levies pursuant to section 81 of the *Canada Petroleum Resources Act*. The levies are to be paid for the year in which the Exploration Licence is issued and retroactive levies for the two preceding years (less any levies paid in respect of the same lands for the two preceding years by a previous interest owner). ESRF levies are determined by multiplying the number of hectares of land included in the Exploration Licence by the ESRF rate for the applicable region. Where applicable, the ESRF manager will send notices to the representative of the Exploration Licence. More information can be found at: www.esrfunds.org.

17. Related Requirements

The exercise of petroleum exploration rights may be subject to specific terms and conditions relating to the environment, and must comply with requirements under land claims and northern benefits.

(a) 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 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*, the *Migratory Birds Convention Act*, the *Species at Risk Act*, the *Fisheries Act*, the *Canadian Environmental Protection Act* and other applicable legislation.

The ***Petroleum and Environmental Management Tool*** (PEMT) (www.aadnc-aandc.gc.ca/eng/1100100036632) ranks the southern Beaufort Sea and Mackenzie Delta area in terms of relative environmental and socio-economic sensitivity. This information has been identified by Inuvialuit and wildlife specialists and is intended to alert potential nominators that this area may be



subject to additional regulatory terms and conditions. In areas of the Call not covered by the PEMT, please refer to the "Area subject to specific environmental considerations" on the attached map.

The Bering-Beaufort-Chuckchi population of Bowhead whales was designated as a Species of "concern" under the *Species at Risk Act* (SARA) in January 2008. Bowhead whales use habitats throughout most of the Call area during the spring, summer and fall. The eastern Pacific Grey whale is currently listed as a species of "special concern" under SARA, and has been observed in the southern Beaufort Sea during the open water period with increasing regularity. In addition, the Tarium Niryutait Marine Protected Area has been created. For further information, operators are encouraged to contact the Department of Fisheries and Oceans Canada in Inuvik, NWT at (867) 777-7515.

Environment Canada, Canadian Wildlife Service (EC-CWS) manages several Migratory Bird Sanctuaries and has identified a number of Key Migratory Bird Habitat Sites in the Northwest Territories that are essential to the welfare of various migratory bird species in Canada, and also advises on current regulation related to migratory birds and the latest Species at Risk information. Proponents are encouraged to contact the EC-CWS office in Yellowknife at (867) 669-4763 for further information on reducing impacts to migratory birds and their habitat.

Based on the July 2006 photocensus, the territorial Department of Environment and Natural Resources concluded that there are significant declines in the Cape Bathurst and Bluenose-West caribou herds. The 2009 photocensus estimates indicate the herds have stabilized at low numbers. 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.

The entire offshore and coastal area of the Call area is potential Polar Bear habitat. The Committee on the Status of Endangered Wildlife in Canada has recommended that Polar Bears be listed as "special concern" under SARA. Additional mitigative measures may be required at the activity stage.

In addition, the entire onshore of the Call area is Grizzly Bear habitat. The Committee on the Status of Endangered Wildlife in Canada has recommended that Grizzly Bears be listed as "special concern" under SARA. Additional mitigative measures may be required at the activity stage. Other Species at Risk in the Call area include Wolverine and Peregrine Falcons. Additional mitigative measures may be required at the activity stage for these species.

For more information on wildlife and suggested monitoring and mitigation measures potential operators should contact the Department of Environment



and Natural Resources in Inuvik, NWT (Manager, Wildlife Management) at (867) 678-6670.

(b) Land Claims Requirements

The successful bidder shall comply with the terms of the *Inuvialuit Final Agreement*. Interested parties should be familiar with the Agreement. (www.aadnc-aandc.gc.ca/eng/1100100036925)

(c) Northern Benefits Requirements associated with new exploration programs

Canada Petroleum Resources Act section 21

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 to individuals involved in hunting, trapping and fishing in the event of adverse impacts demonstrated to result from project-related activities.

Annual Report

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.



Benefits Plans and Reports for the Northwest Territories are to be sent to the Mineral and Petroleum Resources Directorate.

Benefits Plans and Reports for Nunavut and the adjacent northern offshore, please contact AANDC Headquarters:

Northwest Territories:

Director
Mineral and Petroleum Resources
Directorate
Aboriginal Affairs and Northern
Development Canada
P.O. Box 1500, 4914- 50th Street
YELLOWKNIFE NT X1A 2R3

Headquarters:

Director
Policy and Research Directorate
Northern Oil and Gas Branch
Aboriginal Affairs and Northern
Development Canada
OTTAWA ON K1A 0H4

Note: The Northern Benefits Requirement Associated with New Exploration Programs will be reviewed in the coming months. For more information on the review process and the interpretation of the current requirements, please contact: LOPC-COGOA@aadnc-aandc.gc.ca.

18. Cancellation of Rights

Canada Petroleum Resources Act, section 105

Where the Minister has reason to believe that an interest owner or holder is failing or has failed to meet any requirement of or under the *Canada Petroleum Resources Act* or the *Canada Oil and Gas Operations Act* or any regulation made under either Act, the Minister may give notice to that interest owner or holder requiring compliance with the requirement within ninety days after the date of the notice or within such longer period as the Minister considers appropriate.

Notwithstanding anything in the *Canada Petroleum Resources Act*, where an interest owner or holder fails to comply with a notice within the period specified in the notice and the Minister considers that the failure to comply warrants cancellation of the interest of the interest owner or holder or any share in the interest held by the holder with respect to a portion only of the frontier lands subject to the interest, the Minister may, by order, cancel that interest or share, and where the interest or share is so cancelled, the frontier lands thereunder become Crown reserve lands.



Further Information and Contacts

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

Rights Administration
Oil and Gas Management Directorate
Northern Oil and Gas Branch
Aboriginal Affairs and Northern Development Canada
OTTAWA ON K1A 0H4
Tel: (819) 997-0877; Fax: (819) 953-5828
Rights@aadnc-aandc.gc.ca
www.aadnc-aandc.gc.ca/nth/og/index-eng.asp

Any geological and well information with respect to the lands or area may be obtained from:

Regulatory Data Analyst
Operations Business unit
National Energy Board
444 Seventh Avenue SW
CALGARY AB T2P 0X8
Tel: (403) 292-4800; Fax: (403) 292-5876
FIO@neb-one.gc.ca
www.neb-one.gc.ca



BID SUBMISSION FORM

This bid is submitted in response to the

(Select one)

- Beaufort Sea & Mackenzie Delta
- Central Mackenzie Valley
- Arctic Islands of Nunavut

Call for Bids closing on _____ with regards to
(Insert closing date yyyy-mm-dd)

parcel # _____ with a Work Proposal Bid of \$ _____ .
(Minimum \$1,000,000 bid)

As per clause 9 of the Call for Bids, an issuance fee of \$ _____ is included with this bid submission.

As per clause 13(a) of the Call for Bids, a bid deposit of \$10,000 has been included in this bid submission (form of certified cheque, money order or bank draft).

NOTE: The successful bidder will be required to post 25% of the work proposal bid as security for the performance of work within 15 working days, this period commencing the day following the notice of winning bids being posted on the Northern Oil and Gas website. This deposit will be referred to as the work deposit.

If this Bid is successful, please issue the Exploration Licence to:

Representative →	Company	%

Name of representative for service: _____

Phone: _____ Fax: _____

E-mail: _____

If this bid is not accepted, the bid deposit should be returned to:

- By priority post
- Other (please specify) _____

I have read the Terms and Conditions of the Call for Bids and have enclosed the issuance fee and Bid Deposit, as indicated above.

Name & Title Signature Date

Bid must be submitted as per clause 3 of the Call for Bids Terms and Conditions. For more information, please contact:

Oil and Gas Management
Northern Oil and Gas Branch
Phone: (819) 997-0877

Sample Letter of Credit

(DATE OF ISSUE)

IRREVOCABLE STANDBY LETTER OF CREDIT NO. (L/C NO.) FOR (\$ AMOUNT CAD.)

BENEFICIARY

The Receiver General for Canada
as represented by the Director,
Oil and Gas Management Directorate,
Northern Oil and Gas Branch
Department of Indian Affairs and
Northern Development
6th floor, 10 Wellington Street
Hull, Quebec
K1A 0H4

APPLICANT

AMOUNT \$.....Cad.
(amount in words)---00/100 Canadian Dollars

EXPIRY DATE

at our counters in OTTAWA, Ontario

At the request of and for the account of our customer (**Applicant - Name and Address**) the "Customer", we hereby establish in the Beneficiary's favour our Irrevocable Standby Letter of Credit **number (L/C NO.)** for a sum not exceeding in the aggregate amount of (**Amount in Words**)--00/100 Canadian Dollars (\$.....Cad.).

This Credit is given in support of the Customer's agreement with the Oil and Gas Management Directorate, Northern Oil and Gas Branch, Northern Affairs Sector, Department of Indian Affairs and Northern Development, and Exploration Licence No #..... (the "Licence") and relates to the Terms and Conditions in the Licence dated (**Date of Licence**), equal in the amount to the sum of this Credit.

(In the event that the Exploration Licence has not yet been issued, then refer to the Parcel No..... and Call for Bids name, date, and indicate that an Exploration Licence will be issued for this Parcel).

Our obligation to pay is irrevocable, absolute and unconditional and, in furtherance and support thereof and without limiting the irrevocable, absolute and unconditional nature of our obligations to the Beneficiary hereunder, any demand by the Beneficiary shall be honoured without any inquiry as to the Beneficiary's rights to make such demand, without regard to or recognition of any contractual rights, claims or defences (legal or equitable) of the Customer against the Beneficiary and without regard to any other defence to the Beneficiary's demand for payment, arising as a result of any dispute between the Beneficiary and the Customer or between the Customer and ourselves.

Payment under this Irrevocable Standby Letter of Credit shall be available to the Beneficiary on sight against presentation by the Beneficiary to (*issuing Bank, name and address*) of a written demand for payment, which demand we shall honour without inquiring whether the Beneficiary has a right as between the Beneficiary and the Customer to make such a demand, without recognizing any claims of the Customer and without raising any defence arising as between the Customer and ourselves, accompanied by a certification signed by the Beneficiary or an authorized representative that the Customer is in default under the terms of the Licence.

Partial drawings are permitted.

It is understood that the Bank is obligated under this Credit to the payment of monies only and not

the performance of the Licence.

It is a condition of this Letter of Credit that it **shall be deemed to be automatically extended** without amendment, for one year from the present or any future expiration date hereof, **unless one hundred and twenty (120) days** prior to any such date, we shall notify the Beneficiary in writing at the address noted above, by Certified Mail that we elect not to consider this Letter of Credit renewed for any such additional period. Upon receipt by you of such notice, you may draw by means of your written demand accompanied by your above written certificate.

This Irrevocable Standby Letter of Credit is subject to the Uniform Customs and Practices for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500. Notwithstanding Article 17 of said Publication, if this Documentary Credit expires during an interruption of business as described in Article 17, we agree to effect payment if this Documentary Credit is drawn on us within fifteen (15) days after resumption of business.

Countersigned:

(Authorized Signature)

(Authorized Signature)

SAMPLE

Proposed Exploration Licence

(updated February 28, 2012)

THIS LICENCE is effective as of _____

ISSUED BY THE MINISTER OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT (hereinafter called the "Minister"),

TO THE INTEREST OWNER, _____

WHEREAS the Minister is empowered pursuant to the Act to issue an Exploration Licence (hereinafter called the "Licence") relating to the Lands;

AND WHEREAS the Minister has selected the bid in the amount of \$ _____ submitted by _____ as the winning bid in respect of parcel No. ____ posted in the _____ Call for Bids published in Part I of the *Canada Gazette* on _____;

AND WHEREAS, in submitting such a bid, _____ has agreed to the terms and conditions of this Licence;

NOW THEREFORE this Licence is issued upon the following terms and conditions:

1. Interpretation

(a) In this Licence, including all Schedules annexed hereto, unless the context requires otherwise:

i. "Act" means the *Canada Petroleum Resources Act*,

ii. "Operations Act" means the *Canada Oil and Gas Operations Act*,

iii. "Lands" means the frontier lands described in Schedule I or such portion thereof that remains subject to this Licence from time to time;

iv. "Period" means a segment or portion of the term described in Schedule III or, if no period is described therein, means the entire term of this Licence;

v. "Regulations" means any and all regulations now made or that may be made at any time under the authority of the Act or the Operations Act, and any Acts passed in substitution therefor.

(b) All words and phrases used in this Licence have the meaning given by the Act, the Operations Act, or the Regulations.

(c) This Licence is issued under and subject to the Act, the Operations Act, and any act passed in substitution therefor, the Regulations and the provisions of any other act of Canada and regulations made thereunder that relate to or affect this Licence and the Act. The Regulations and such other act and other regulations shall be deemed to be incorporated into this Licence as though specifically enumerated herein.

(d) The following Schedules are attached and made part of this Licence: Schedule I - Lands; Schedule II - Ownership; Schedule III - Term and Conditions; Schedule IV - Representative(s) and Addresses for Service.

2. Rights

(a) Subject to the Act and the Operations Act, this Licence confers, with respect to the frontier lands to which this Licence applies,

- i. the right to explore for, and the exclusive right to drill and test for, petroleum;
- ii. the exclusive right to develop those frontier lands in order to produce petroleum; and
- iii. the exclusive right, subject to compliance with the other provisions of the Act, to obtain a production licence.

(b) This Licence shall be held by the interest holders as to the Lands, in the shares as set forth and described in Schedule II, or as amended from time to time.

(c) The rights under this Licence are subject to the right of any other Licence holder to enter on and use the area subject to this Licence to the extent necessary to enable that other Licence holder to exercise the rights under that other Licence.

3. Term

Subject to the Act, the term of this Licence is as set out in Schedule III.

4. Annual Rentals

(a) Rentals, if any, shall be levied annually at the rate set forth in Schedule III.

(b) Rentals, if levied, shall be paid in advance, in respect of the Lands. The payment of rentals may be secured by cheque, promissory note, letter of credit or other negotiable financial instrument in a form satisfactory to the Minister.

(c) Rentals paid shall be refunded annually at the rate set forth in Schedule III.

5. Indemnity

(a) It is a condition of this Licence that the interest holders shall, in respect of that portion of the Lands to which such interest holder's share relates, at all times, jointly and severally, indemnify and save harmless Canada from and against all claims, demands, loss, costs, damages, actions, suits or other proceedings by whomsoever made, sustained, brought or prosecuted, in any manner based upon, occasioned by, or attributable to, anything done or omitted to be done by, through, or under, or with the consent of the interest owner, or an interest holder, notwithstanding any agreement or arrangement entered into by an interest owner or interest holder which does or may result in the transfer, assignment or other disposition of the interest or share therein, in the fulfilment of the terms and conditions made herein or in the exercise of the rights or obligations contained herein.

(b) For greater certainty, interest holders in this Licence who do not hold shares with respect to that portion of the lands in relation to which a claim, demand, loss, cost, damage, action, suit or other proceeding arises are not liable to indemnify Canada under subparagraph 5(a).

(c) For the purposes of subparagraphs 5(a) and 5(b), "Canada" shall not include a Crown corporation.

(d) This clause shall survive this Exploration Licence and will be incorporated into any Significant Discovery Licence and Production Licence that arises therefrom.

6. Liability

(a) An interest holder shall be liable under the provisions of this Licence, the Act, the Operations Act and the Regulations for all claims, demands, loss, costs, damages, actions, suits or other proceedings in respect of any

work or activity conducted, or caused to be conducted, by, through, or under, or with the consent of such interest holder. Any transfer, assignment, or other disposition of the interest, or of a share therein, shall not have the effect of discontinuing such liability in respect of such work or activity, related to the interest, or share therein, so disposed, that was

conducted before that transfer, assignment, or other disposition was registered pursuant to the Act and Regulations. For greater certainty, liability, as aforesaid, does not relate to any work or activity conducted after such party ceases to be an interest holder in this Licence.

(b) This clause shall survive this Exploration Licence and will be incorporated into any Significant Discovery Licence and Production Licence that arises therefrom.

7. Successors and Assigns

Subject to paragraph 6, this Licence enures to the benefit of and is binding on the Minister and the interest owner and their respective heirs, administrators, successors and assigns.

8. Notice

Any notice, communication or statement required under the Act or the Operations Act shall be served on the designated person, on behalf of the Minister or on the interest owner, as the case may be, by personal delivery, or by fax at that address specified in Schedule IV hereof, or such other addresses as may be designated from time to time by the Minister or the interest owner, as the case may be.

9. Waiver and Relief

Where the Minister is satisfied that the Licence requirements as described under clause 2 of Schedule III cannot be executed within the time periods or to the extent provided therein, the Minister may, subject to the Act, grant an extension or extensions thereof in writing, provided always that the Minister is also satisfied that the failure to execute the above requirements is for reasons beyond the reasonable control of the interest owner, and that the interest owner continues to diligently pursue a remedy for such situation.

10. Representative

Unless otherwise designated in the prescribed manner, for the purpose of this Licence the representative or representatives, as the case may be, of the interest owner shall be as specified in Schedule IV.

11. Agreement

The issuance of this Licence by the Minister and acceptance thereof by the interest owner constitutes agreement between the interest owner and the Minister as to the terms and conditions contained herein.

ISSUED at Gatineau, this _____ day of _____, _____.

MINISTER of Indian Affairs and Northern Development

Schedules for the Exploration Licence

Schedule I: Lands

SAMPLE		
Latitude	Longitude	Section(s)
69° 40'	133° 15'	9-10, 19-20, 30
69° 50'	133° 15'	1-4, 11-12, 21, 31

(_____ hectares, more or less)

Schedule II: Ownership

Latitude	Longitude	Section(s)	Interest Holder(s)	Share %
<i>See Schedule I: Lands</i>			<i>Company Name(s)</i>	<i>% holdings</i>

Canada Petroleum Resources Act s.s.85

“Where an interest holder of an interest or any share therein enters into an agreement or arrangement that is or may result in a transfer, assignment or other disposition of the interest or any share therein, the interest holder shall give notice of the agreement or arrangement to the Minister, together with a copy of the agreement or arrangement or, if the Minister approves, a summary of its terms and conditions or, on the request of the Minister, a copy of the agreement or arrangement.”

To comply with this requirement please use Form 15: Summary Form - Notification of an Agreement/Arrangement that is or may result in a Transfer.

Schedule III: Terms and Conditions

1. TERM

This Licence has a term of nine (9) years commencing on _____.

Central Mackenzie Valley:

The term shall be comprised of two (2) consecutive periods of five (5) and four (4) years each. Subject to the Licence, Period 2 shall follow Period 1.

Beaufort Sea & Mackenzie Delta

For those parcel which lie south of Line A on the call map, the term shall comprise of two (2) consecutive years of five (5) and four (4) years. Subject to the Licence, Period 2 shall follow Period 1.

For those parcels which lie north, or straddle, Line A on the call map, the term shall comprise of two (2) consecutive years of seven (7) and two (2) years. Subject to the Licence, Period 2 shall follow Period 1.

Arctic Islands of Nunavut Region:

The term shall be comprised of two consecutive periods of six (6) and three (3) years each. Subject to the Licence, Period 2 shall follow Period 1.

2. WORK PROGRAM

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. Any remaining Work Deposit will be forfeited.

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 Branch 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.

For those Licences consisting of two consecutive periods of five (5) and four (4) years 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.

3. WORK DEPOSIT

This Licence is accompanied by a Work Deposit in the amount of twenty-five per cent (25%) of the bid submitted.

Work Deposits are refundable as expenditures are deemed allowable during Period 1 of the term of the Exploration Licence. A credit against the Work Deposit will be made on the basis of twenty-five per cent (25%) of allowable expenditures, referred to hereafter, as they are approved. Any Work Deposit balance remaining at the end of Period 1 will be forfeited.

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

4. RENTALS

Rentals paid during Period 2 are refundable as allowable expenses are incurred during Period 2. There are no rentals payable during Period 1 of the term. In Period 2, rentals will be applicable at the following rates:

For Licences consisting of two consecutive periods of 5 and 4 years:	For Licences consisting of two consecutive periods of 7 and 2 years:
1 st year \$3.00/ha	1 st and 2 nd year \$8.00/ha
2 nd year \$5.50/ha	
3 rd and 4 th year \$8.00/ha	

Rentals will be payable annually, in advance of the anniversary date of the licence, and are to be submitted by cheque payable to the Receiver General for Canada, promissory note supported by a bank letter of guarantee, letter of credit or other negotiable financial instrument in a form satisfactory to the Minister.

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 *Canada Petroleum Resources Act*, 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.

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

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

5. 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 consultations, data interpretation, regional office support, management and pre-and post program costs.

Schedule IV : Representative(s) and Addresses for Service

Company Name

Address:

Facsimile:

Telephone

Oil & Gas Management Directorate

Northern Oil and Gas Branch

Department of Indian Affairs and Northern Development

Ottawa ON K1A 0H4

Facsimile: (819) 953-5828

Telephone: (819) 997-0877

www.aadnc-aandc.gc.ca/nth/og/index-eng.asp