



ARCTIC ISLANDS OF NUNAVUT

CALL FOR NOMINATIONS

Closing at **16:00** Eastern Time On
January 14, 2003

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

For more information on the rights issuance process, the resource management regime or the contents of this call, please contact the Northern Oil and Gas Directorate at (819) 997-0877 or visit our website at www.ainc-inac.gc.ca/oil/ or www.ainc-inac.gc.ca/pétrole

Arctic Islands of Nunavut CALL FOR NOMINATIONS Closing at 4 p.m. (E.T.) on January 14, 2003

1. Call for Nominations

The Minister of Indian Affairs and Northern Development hereby calls for the submission of nominations for Crown reserve lands located in the Central Mackenzie Valley of the Northwest Territories. A map is attached for reference.

Lands currently under licence which revert to Crown reserve status during the course of this Call for Nominations may also be nominated.

Posting requests received by 4 p.m., E.T., on **January 14, 2003** will be considered by the Minister for inclusion in a call for bids tentatively scheduled to open in **January 2003**, pursuant to Section 14 of the *Canada Petroleum Resources Act* (CPRA). Terms and conditions of the proposed call for bids are attached for information.

2. Content of Posting Requests

All posting requests must be described in accordance with the attached Guidelines for Posting Parcels North of Latitude 60° N. Each tract posted shall comprise laterally or diagonally contiguous blocks.

The maximum size of any posting request between latitude 75°N and latitude 78°N is eight grids.

The block size North of latitude 78°N, should not exceed 216 080* hectares in area .
(*Eight grids at 75°N)

A Posting Request Form is attached and should accompany the request.

3. Submission of Posting Requests

All requests should be submitted by fax by 4 p.m. (E.T.) on **January 14, 2003** Each request should be addressed as follows:

" Arctic Islands of Nunavut Request for Posting"

Closing January 14, 2003

Attention: Rights Issuance & Policy

Northern Oil and Gas Directorate

FAX: (819) 953-5828

Requesters are advised to give prior notice of their intent to submit a fax by calling (819) 953-8529 or (819) 953-8722 immediately prior to transmission. Telephone confirmation will be provided, if requested, upon receipt of the fax. Only the fax copy is necessary; original copies are not required.

All submissions received will become property of the Crown and will not be returned.

All information concerning nominations will remain confidential.

4. Priority of Posting

Priority of posting will be determined by order of receipt. Time of receipt will be that recorded by the fax machine of the Northern Oil and Gas Directorate in Hull.

In case of overlapping requests, the first to be received will have priority. The second requester will be informed of the area remaining in the request which does not overlap a prior nomination. The second requester will be required to state whether they would like to maintain their posting on the remaining lands or withdraw the request.

5. Specific Considerations

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

Land Claim Requirements

The lands available for posting are located within the Nunavut Settlement area. Successful bidders shall adhere to the terms of the Nunavut Land Claims Agreement reached with the Inuit. Interested parties are advised to obtain a copy of the agreement.

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 Nunavut Land Claims Agreement as well as those stemming from the *Canadian Environmental Assessment Act*, the *Canada Oil and Gas Operations Act*, the *Territorial Lands Act*, the *Arctic Waters Pollution Prevention Act*, and other applicable legislation.

The hachured area on the attached map has been identified to alert potential nominators that additional operating terms and conditions may be applied at the activity stage. For example, the work season may be restricted to those months when the proposed type of activity will not have a significant impact on sensitive fish and marine habitats, mammals, birds or other species. In addition, extra conditions may be imposed relating to drilling fluids and waste discharges, and site specific environmental protection plans may be required prior to the commencement of activity. These environmental protection plans would describe the necessary procedures the operator would take to minimize any environmental impacts to a particular species in the region.

Referring to the map, specific environmental information has been obtained by Nunavut Tunngavik Incorporated and marine and wildlife specialists, including Fisheries and Oceans, Environment Canada and the Department of Sustainable Development of the Government of Nunavut; additional information is incorporated from the 1991 Lancaster Sound Regional Land Use Plan.

Industry should be aware that the North Baffin Regional Land Use Plan 2000, an updated version of the 1991 Lancaster Sound Regional Land Use Plan, was approved in June 2000. This land use plan has been developed by the Nunavut Planning Commission with the Inuit of Nunavut, the Government of Nunavut and Indian Affairs and Northern Development, and is a helpful source of land use information. Any oil and gas related proposals should conform with the North Baffin Regional Land Use Plan 2000.

6. Resulting Call for Bids

The individual or company that requested the posting of a parcel(s) is expected to submit a bid(s) in response to the Call for Bids. The Minister reserves the right to refuse future posting requests by that individual or company if a bid is not submitted.

The Minister will take into account all nominations in developing a Call for Bids but may modify nominations to configure a bid block following consultation with the nominee.

The Minister is not obliged to proceed with a Call for Bids for any lands posted.

Department of Indian Affairs
and Northern Development
Northern Oil and Gas Directorate
room 627 - 10 Wellington Street
HULL QC K1A 0H4
Fax: (819) 953-5828

Guidelines for Posting Parcels North of Latitude 60° N

These guidelines summarize the land description system for parcels north of latitude 60° N. For more detailed information see Section 4 of the *Canada Oil and Gas Land Regulations*.

Land areas are divided into **grids**, grids into **sections**, and sections into **units**.

Grids are bounded to the east and west by successive meridians of longitude:

- a) for lands south of latitude 70° N, the boundaries are spaced every 15' of longitude (e.g., 122° 00' W and 122° 15' W), or
- b) for lands north of latitude 70° N, they are spaced every 30' of longitude (e.g., 122° 00' W and 122° 30' W).

To the north and south, the boundaries of grids are defined by straight lines joining the points of intersection of their east and west boundaries with successive parallels of latitude spaced every 10' (e.g., 60° 00' N and 60° 10' N). Every grid area is referred to by the latitude and longitude co-ordinates of its northeast corner (e.g., 60° 10' N, 122° 00' W).

The number of **sections** into which a grid is divided depends on the latitude where the grid is located.

A section is bounded to the east and west by meridians:

- i) for lands between latitudes 70° and 75°, the boundaries are spaced at intervals of 1/10 of the distance between the east and west boundaries of the grid area, or
- ii) for lands between 60° and 68°, and between 75° and 78°, they are spaced at intervals of 1/8 of this distance, or
- iii) for lands between 68° and 70°, and between 78° and 85°, they are spaced at intervals of 1/6 of this distance.

To the north and south, the boundaries of sections are defined by straight lines drawn parallel to the north and south boundaries of the grid and spaced at intervals of 1/10 of the distance between these boundaries.

Thus, grids have 100, 80 or 60 sections (10x10, 8x10, or 6x10) depending on their location.

Fig. 1 A Grid with 80 Sections

80	70	60	50	40	30	20	10
				39			
				38			
				37			
				36			
75	65	55	45	35	25	15	5
				34			
				33			
				32			
71	61	51	41	31	21	11	1

The sections are numbered and each is referred to by its number (see the example in Figure 1).

Every section is divided into 16 equal **units**, each of which is identified by a letter (see Figure 2).

Fig. 2 Units in a section

M	N	O	P
L	K	J	I
E	F	G	H
D	C	B	A

POSTING REQUEST FORM

Arctic Islands of Nunavut Call for Nominations

This posting request is submitted in response to the subject
Call for Nominations closing on **January 14, 2003**

_____ (name of individual or corporation)

_____ phone number / fax number

requests that the following lands be posted in the next call for bids to be held for the area associated with the above-noted Call for Nominations.

_____ signature

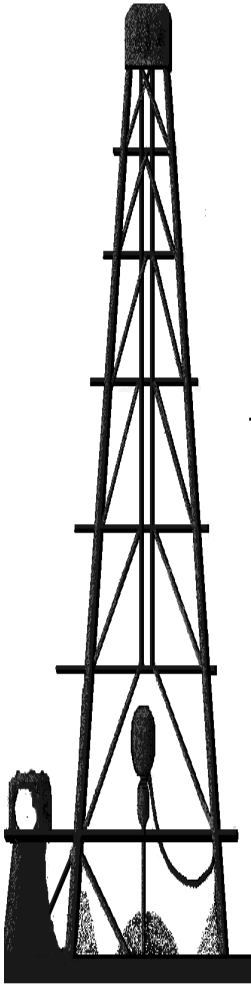
_____ Date

_____ print name and title

Latitude /Longitude	Section(s)	# of Sections
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Total number of sections: _____

Each request for a posting must conform with the size limitations described in the Call for Nominations.



PART A
Terms and Conditions of the
Arctic Islands of Nunavut Call for Bids
Closing ~~☐☐☐~~ date to be specified 2003

The Minister of Indian Affairs and Northern Development hereby calls for the submission of bids in respect of (~~☐☐☐~~) parcels comprising the following lands located in the area of the :

PARCEL (hectares) Issuance Fee = \$ ☐☐☐		
Latitude	Longitude	Portion

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 (c)*

The term for exploration licences issued from the **2003 Arctic Islands of Nunavut Call for Bids** will be nine (9) years consisting of two consecutive periods of six (6) years and three (3) 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 ~~☐☐☐~~ **date to be specified:**

Indian Affairs and
Northern Development
Northern Oil and Gas Directorate
6th Floor - 10 Wellington St.
HULL QC K1A 0H4
Fax: (819) 953-5828

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 Arctic Islands of Nunavut Call for Bids”**. The inner envelope(s) should be clearly marked with the date, call name and parcel number, i.e. **“2003 Arctic Islands of Nunavut 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:

Land Claims Requirements

The lands available for posting are located within the Nunavut Settlement area. Successful bidders shall adhere to the terms of the Nunavut Land Claims Agreement reached with the Inuit. Interested parties are advised to obtain a copy of the agreement from the Frontier Information Office of the National Energy Board in Calgary.

Section 27.1.2 of the Nunavut Land Claims Agreement states that “Prior to the initial exercise of rights in respect of exploration, development or production of petroleum on Crown lands in the Nunavut Settlement Area, and in order to prepare a benefits plan for the approval of the appropriate regulatory authority, the proponent shall consult the Designated Inuit Organization, and Government shall consult the Designated Inuit Organization, in respect to those matters listed in Schedule 27-1.

Information flow, including liaison between Inuit and proponent regarding project management and Inuit participation and concerns. Co-ordination with other developments.

Any other matters that the Parties consider to be relevant to the needs of the project and Inuit.

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 Nunavut Land Claims Agreement as well as those stemming from the *Canadian Environmental Assessment Act*, the *Canada Oil and Gas Operations Act*, the *Territorial Lands Act*, the *Arctic Waters Pollution Prevention Act*, and other applicable legislation.

The hachured area on the attached Call map has been identified to alert potential nominators that additional operating terms and conditions may be applied at the activity stage. For example, the work season may be restricted to those months when the

proposed type of activity will not have a significant impact on sensitive fish and marine habitats, mammals, birds or other species. In addition, extra conditions may be imposed relating to drilling fluids and waste discharges, and site specific environmental protection plans may be required prior to the commencement of activity. These environmental protection plans would describe the necessary procedures the operator would take to minimize any environmental impacts to a particular species in the region.

Referring to the Call map, specific environmental information has been obtained by Nunavut Tunngavik Incorporated and marine and wildlife specialists, including Fisheries and Oceans, Environment Canada and the Department of Sustainable Development of the Government of Nunavut; additional information is incorporated from the *1991 Lancaster Sound Regional Land Use Plan*.

Industry should be aware that the North Baffin Regional Land Use Plan 2000, an updated version of the 1991 Lancaster Sound Regional Land Use Plan, was approved in June 2000. This land use plan has been developed by the Nunavut Planning Commission with the Inuit of Nunavut, the Government of Nunavut and Indian Affairs and Northern Development, and is a helpful source of land use information. Any oil and gas related proposals should conform with the North Baffin Regional Land Use Plan 2000.

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.

Benefits Plans

Prior to the initial exercise of rights in respect of exploration, development or production of petroleum on Crown lands in the Nunavut Settlement Area, the successful bidder must submit a Benefits Plan to the Minister for approval. In this regard the proponents are referred to the requirements in Section 5.2 of the Canada Oil and Gas Operations Act, Section 21 of the Canada Petroleum Resources Act and Section 27.1.2 of the Nunavut Land Claims Agreement.

The Benefits Plan must provide northerners and northern businesses with full and fair access to training, employment and business opportunities in accordance with the Benefits Principles.

In addition, the Benefits Plan should reflect the consultations between the parties on all matters listed in schedule 27-1 of the Nunavut Land Claims Agreement. In particular, there must be provisions in the Benefits Plan to ensure that Inuit have access to training and employment opportunities and to facilitate their participation in the supply of goods and services. The provisions should be commensurate with the scale and duration of the proposed work and the capacity and interests of Inuit and Inuit owned businesses.

When a Benefits Plan is based on several proposed activities, some of which could change depending upon the results of initial work, the plan should be updated periodically. The update, which need not be lengthy, may be provided as part of an Annual Report or separately.

In addition to the annual report requirements set out in attachment 2, the annual report shall include information on Inuit employment, wages and goods and services purchased from Inuit businesses.

Information

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

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

Rights Issuance, Northern Oil and Gas, Department of Indian and Northern Affairs
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.inac.gc.ca/oil/index.html>.

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

Data Management Administrator, Information Office, National Energy Board
444 - 7th Avenue S.W., CALGARY AB, T2P 0X8
Tel: (403) 299-3112 Fax: (403) 292-5503

Nunavut Contact List

*

*Nunavut Tunngavik Incorporated	http://www.tunngavik.com/
Lands and Resources, Nunavut Tunngavik Incorporated	ntilands@polarnet.ca .
Nunavut Land Claims Agreement	http://www.ainc-inac.gc.ca/pr/agr/nunavut/index_e.html
Nunavut Surface Rights Tribunal	pooka.nunanet.com/~nsrt/
Nunavut Wildlife Management Board	pooka.nunanet.com/~nwmb/
Inuit Firms List October 1999	http://www.polarnet.ca/ntilands/inuit_firm/inuit_firms_list.htm
Nunavut Planning Commission	www.npc.nunavut.ca

Nunavut Impact Review Board

www.polarnet.ca/nir

Regional Inuit Associations

Kitikmeot Inuit Association

<http://www.polarnet.ca/polarnet/kia.htm>

Kivalliq Inuit Association

<http://www.kivalliq.org/>

Qikiqtani Inuit Association

<http://www.qikiqtani.nu.ca/>

* Primary Contact -Designated Inuit Organization

Please note that Designated Inuit Organization (DIO's) may have compiled a comprehensive list of Inuit firms, together with information on goods and services which they would be in a position to furnish. This list has been compiled for purposes of government contracts but may be considered for oil and gas activity when consulting pursuant to article 27.1.2.

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 1. Costs related to exploratory work within Period 2 of the licence must be incurred prior to the end of Period 2.
- (6) Costs attributed to exploratory work must be related to the evaluation of the specific licence. Costs which apply to more than one licence or program must be fairly apportioned.

**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.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
