



**2013-2014 CALL FOR BIDS FOR
EXPLORATION LICENCES IN THE
BEAUFORT SEA & MACKENZIE DELTA**

DATE OF LAUNCH: OCTOBER 19, 2013

CLOSING AT NOON (MOUNTAIN TIME)

ON FEBRUARY 25, 2014



2013-2014 CALL FOR BIDS FOR EXPLORATION LICENCES IN THE BEAUFORT SEA & MACKENZIE DELTA

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TERMS AND CONDITIONS

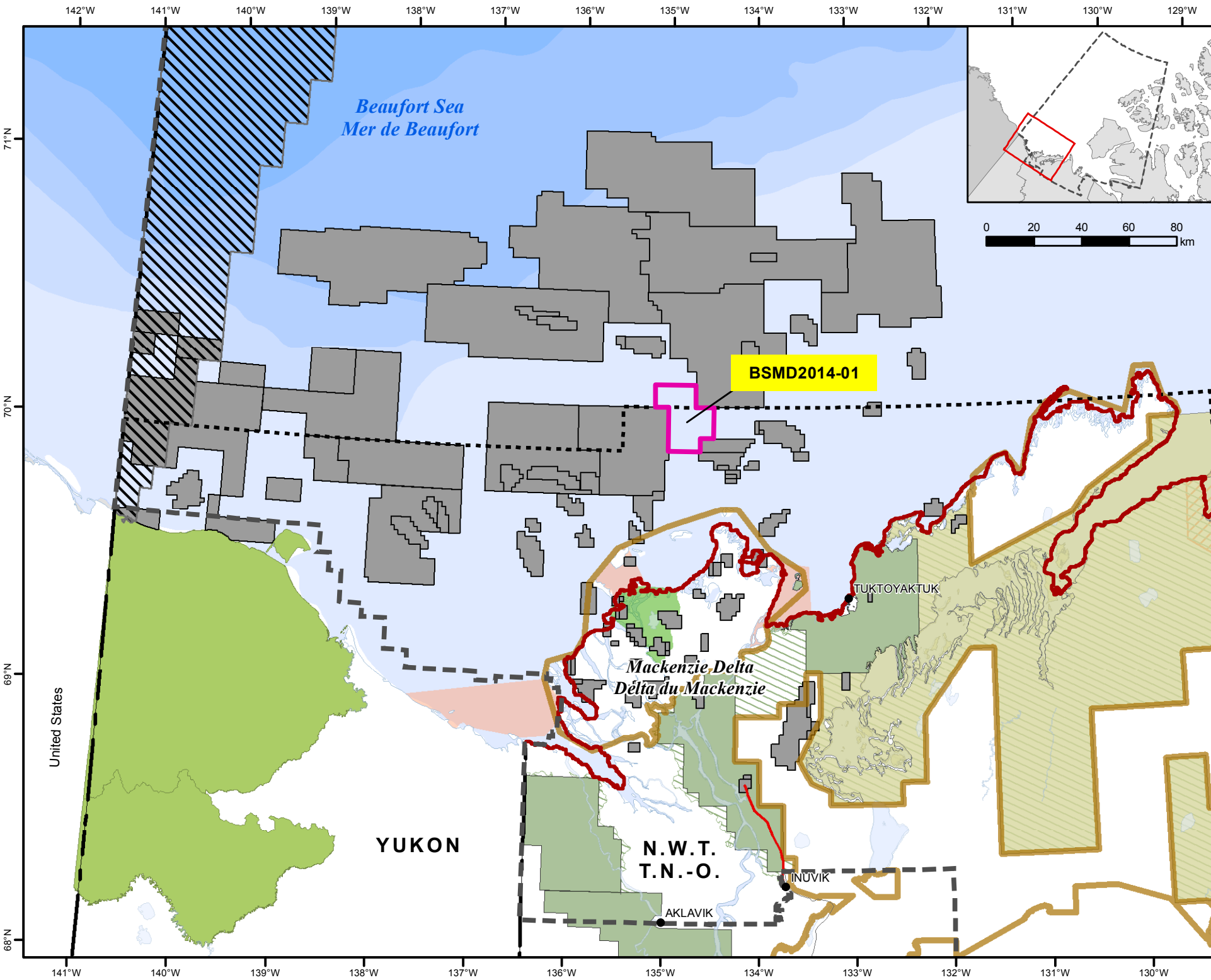
The management of oil and gas resources north of latitude 60° N in the Northwest Territories, Nunavut and northern offshore is a federal responsibility managed by the Northern Petroleum Resources Directorate (formerly Northern Oil and Gas Branch) of Aboriginal Affairs and Northern Development Canada.









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 one parcel comprising the following lands located in the area of the Beaufort Sea & Mackenzie Delta:

Parcel BSMD2014-01		
47,945 hectares, more or less		Issuance Fee: \$750
Latitude*	Longitude*	Section(s)
70° 10' N	134° 30' W	004-010, 014-020, 024-030, 031-100
70° 20' N	134° 30' W	041-045, 051-055, 061-065, 071-075, 081-085, 091-095
70° 20' N	135° 00' W	001-005, 011-015, 021-025

*North American Datum 1927 (NAD27)



-  Outer boundary of the call / périmètre de la demande de désignations
-  Line of Delimitation / Ligne de démarcation
-  Line A. see Call for Nominations / Ligne A. voir Demande de désignations
-  Licences within this area subject to work prohibition (refer to call documents) / Les licences et permis de cette aire sont sujets à une interdiction de poursuivre les travaux (veuillez vous référer aux documents de la Demande de désignations)
-  Pipelines / pipeline
-  Withdrawal Order PC2010-219 - land available for nomination / Décret d'inaliénabilité C.P. 2010-219- terres disponibles pour la désignation
-  Inuvialuit 7(1)(b) Land (surface only) / Terres des Inuvialuit 7(1)(b) (surface seulement)
-  Migratory Bird Sanctuary / Refuge d'oiseaux migrateurs

The Petroleum and Environmental Management Tool (PEMT) at www.aadnc-aandc.gc.ca/eng/1100100036087 may be consulted for information on environmental sensitivities. L'outil de gestion de l'environnement et des ressources pétrolières (OGERP) (www.aadnc-aandc.gc.ca/fra/1100100036087) peut être consulté pour de l'information sur les sensibilités environnementales.

- Areas not available / Régions non disponibles**
-  Existing Oil & Gas Rights / Droits pétroliers actuels
 -  Inuvialuit 7(1)(a) Land (surface & subsurface) / Terres des Inuvialuit 7(1)(a) (surface et sous-sol)
 -  Other / autre
 -  Kendall Island Migratory Bird Sanctuary / Refuge d'oiseaux migrateurs de l'île Kendall
 -  National & Territorial Parks / Parcs nationaux et territoriaux
 -  Marine Protected Area (Tarium Niryutait) / Zone de protection marine (Tarium Niryutait)

Digital files are available for download at www.aadnc-aandc.gc.ca/eng/1376943527514
 Des fichiers numériques sont disponibles pour téléchargement à www.aadnc-aandc.gc.ca/fra/1376943527514



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 *Benefits Plan* requirements, copies of which are attached.

3. SUBMISSION OF BIDS

Canada Petroleum Resources Act, sections 14 and 15

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 **February 25, 2014**:

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. **2013-2014 Call for Bids for Exploration Licences - Beaufort Sea & Mackenzie Delta**. The inner envelope(s) should be clearly marked with the date, Call name and parcel number, i.e. **2013-2014 Call for Bids for Exploration Licences - 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 a financial instrument with respect to the Bid Deposit (see clause 10(a) "Bid Deposit" below).
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4. BID SELECTION

a) SOLE CRITERION

Canada Petroleum Resources Act, paragraph 15(1)(b)

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).

b) MINIMUM BID

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

Work proposal bids of less than one million dollars (\$1,000,000.00) for each parcel will not be considered.

c) ACCEPTANCE/REJECTION OF BIDS

Canada Petroleum Resources Act, subsection 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.

d) 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. (EST) the day following notification.

5. NOTIFICATION OF RESULTS

Bidding results will be made available as soon as possible following the closing of the Call via posting on the Northern Petroleum Resources Directorate (formerly Northern Oil and Gas Branch) website (www.aadnc-aandc.gc.ca/nth/og/index-eng.asp).

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



6. ISSUANCE FEES

Frontier Lands Registration Regulations, section 15

Issuance fees of \$250.00 per grid, or portion thereof, must be submitted with the **Work Deposit** by separate cheque made payable to the "Receiver General for Canada".

7. ISSUANCE OF LICENCE

Canada Petroleum Resources Act, subsections 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.

8. 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 2013-2014 Call for Bids for Exploration Licences in the Beaufort Sea & Mackenzie Delta is attached.

a) **TERM**

Canada Petroleum Resources Act, section 26

The term for Exploration Licences issued from the 2013-2014 Call for Bids for Exploration Licences in the 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.



9. WORK PROGRAM

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

The drilling of one 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.

10. DEPOSITS

a) **BID DEPOSIT**

- (i) Each bid must be accompanied by a Bid Deposit for the specific parcel in the amount of **fifty thousand dollars** (\$50,000.00), 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 Petroleum Resources Directorate (formerly Northern Oil and Gas Branch) website. This deposit will be referred to as the Work Deposit.
- (ii) Failure to post the Work Deposit 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, certified cheque or other negotiable financial instrument in a form satisfactory to the Minister. A sample irrevocable standby letter of credit may be obtained from the Rights Administrator.
- (iv) Parties submitting a joint bid may submit separate guarantees representing their proportionate share of the required Work Deposit, within 15 working days, such period shall commence the day following the notice of winning bids being posted on the Northern Petroleum Resources Directorate (formerly Northern Oil and Gas Branch) website. The bid representative as designated on the bid submission form will be responsible for collecting and submitting the parties' 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 clause 12 "Allowable Expenditures" below. 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 but may be credited against Period 2 rentals (see Clause 11 "Rentals" below).

c) 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 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 (\$1,000,000.00) and is to be in the form of an irrevocable standby letter of credit, certified cheque or other negotiable financial instrument in a form satisfactory to the Minister. A sample letter of credit may be obtained from the Rights Administrator.

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 Exploration 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.

11. 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 Clause 12 "Allowable Expenditures" below.

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

Rentals will be payable annually, in advance, and are to be submitted in the form of an irrevocable standby letter of credit, certified cheque or other negotiable financial instrument in a form satisfactory to the Minister. A sample irrevocable standby letter of credit may be obtained from the Rights Administrator.

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 rate of \$8.00 per hectare. 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.

12. ALLOWABLE EXPENDITURES

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

Work Deposits and rentals will be offset 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 assists 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: 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.

All claims are subject to approval by the Minister and may be subject to a post audit if ordered by the Rights Administrator.

The document *Guidance Notes on Claiming Allowable Expenditures* (available at www.aadnc-aandc.gc.ca/eng/1100100036405) describes the classes and scope of expenditures which may be viewed as allowable under the terms of Exploration Licences and certain Significant Discovery 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 to claim refunds from the Northern Petroleum Resources Directorate (formerly Northern Oil and Gas Branch). The Guidance Notes may be amended from time to time.

13. 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 Administrator will send notices to the representative of the Exploration Licence. More information can be found at: www.esrfunds.org.



14. 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, Northwest Territories 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, Northwest Territories (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/1100100030598/)

c) BENEFITS PLAN

Canada Petroleum Resources Act, section 21
Canada Oil and Gas Operations Act, section 5.2

A Benefits Plan is a statutory requirement under the *Canada Oil and Gas Operations Act*. An operator engaged in the exploration and drilling for and the production and transportation of oil and gas in the Northwest Territories, Nunavut and the Arctic offshore areas is required to submit a Benefits Plan to the Minister of Aboriginal Affairs and Northern Development Canada for approval.

A Benefits Plan represents a documented commitment by an operator to provide employment to Canadians and full and fair opportunity to Canadian businesses. A Benefits Plan should include a detailed description of the proposed project as well as the major components, activities and milestones of the project, supporting maps, tables and figures, expected timeframes and



finish date. A Benefits Plan may vary in comprehensiveness and complexity depending on the scale and scope of the proposed oil or gas work or activity. An operator is encouraged to notify and submit a Benefits Plan to the Department well in advance of the anticipated start date of a proposed oil and gas work or activity to allow the Department a sufficient period of time for review of the Benefits Plan.

To assist an operator to develop a Benefits Plan, the Department has established the *Benefits Plan Guidelines for the North* (www.aadnc-aandc.gc.ca/eng/1321288048056). The Guidelines are intended to streamline the administrative process as well as offer greater clarity on what a company should consider during the development of and reporting on a Benefits Plan.

15. 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
Northern Petroleum Resources Directorate
Northern Petroleum and Mineral Resources Branch
Aboriginal Affairs and Northern Development Canada
10 Wellington
Gatineau, Quebec
Postal Address:
OTTAWA ON K1A 0H4

Telephone: 819-953-2087
Facsimile: 819-953-5828

Rights@aandc.gc.ca
www.aandc-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

Telephone: 403-292-4800
Facsimile: 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 for Exploration Licences closing on _____ with regards to
(Insert closing date yyyy-mm-dd)

parcel No. _____ with a Work Proposal Bid of \$ _____.
(Minimum \$1,000,000 bid)

As per clause 10(a) of the Call for Bids, a bid deposit of \$50,000 has been included in this bid submission (form of certified cheque, money order or bank draft).

NOTE: Per clause 10(b) and clause 6 of the Call for Bids, the successful bidder will be required to post 25% of the work proposal bid and the issuance fee within 15 working days, this period commences the day following the notice of winning bids being posted on the Northern Petroleum Resources Directorate 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 Bid Deposit, as indicated above.

Name & Title
Signature
Date

Bid must be submitted as per clause 3 of the Call for Bids.

For more information, please contact:

Northern Petroleum Resources Directorate
Northern Petroleum and Mineral Resources Branch
Telephone: 819-953-2087

Exploration Licence No. ELXXX
(updated January 2013)

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

TO THE INTEREST OWNER [name]

WHEREAS the Minister is empowered pursuant to the *Canada Petroleum Resources 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*, as amended from time to time;
 - (ii) "Operations Act" means the *Canada Oil and Gas Operations Act*, as amended from time to time;
 - (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, the Act, the Operations Act or the Regulations. The Act, the Operations Act, the Regulations and such other Acts 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. EFFECTIVE DATE

This Exploration Licence is effective as of [date].

4. TERM

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

5. 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 may be submitted in the form of an irrevocable standby letter of credit, certified cheque 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.

6. NON-COMPLIANCE

Failure to pay rentals or otherwise fail to comply with any terms and conditions of this Licence may result in the termination of the Licence.

7. INDEMNITY

- (a) It is a condition of this Licence that the interest owner or 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 7(a).
- (c) For the purposes of subparagraphs 7(a) and 7(b), "Canada" shall not include a Crown corporation.
- (d) This commitment to indemnify Canada shall survive the expiration of this Licence and will be incorporated into any Significant Discovery Licence and Production Licence that arises therefrom.

8. 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) Liability as set out in this paragraph shall survive the expiration of this Licence and will be incorporated into any Significant Discovery Licence and Production Licence that arises therefrom.

9. SUCCESSORS AND ASSIGNS

Subject to paragraphs 6, 7 and 8, 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.

10. 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.

11. WAIVER AND RELIEF

Where the Minister is satisfied that the Licence requirements as described under paragraph 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.

12. REPRESENTATIVE

Unless otherwise designated in the prescribed manner under the Act, 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.

13. AGREEMENT

The issuance of this Licence by the Minister affirms the acceptance thereof by the interest owner and comprises the 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

**SCHEDULE I
LANDS**

SAMPLE

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

*North American Datum 1927 (NAD27)

(_____ hectares, more or less)

EXAMPLE

**SCHEDULE II
OWNERSHIP**

Latitude*	Longitude*	Section(s)	Interest Holder(s)	Share %
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*North American Datum 1927 (NAD27)

EXAMPLE

**SCHEDULE III
TERMS AND CONDITIONS**

1. TERM

This Licence has a term of nine (9) years commencing on [date].

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 periods 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 periods of seven (7) and two (2) years. Subject to the Licence, Period 2 shall follow Period 1.

Arctic Islands of Nunavut:

The term shall be comprised of two consecutive periods of six (6) and three (3) years. 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 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 (\$1,000,000.00) and is to be submitted in the form of an irrevocable standby letter of credit, certified cheque or other negotiable financial instrument in a form satisfactory to the Minister.

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 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.

For Licences consisting of two consecutive periods of either seven (7) and two (2) years or six (6) and three (3) 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 rate of \$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:

	Beaufort Sea & Mackenzie Delta		Arctic Islands of Nunavut
	5 & 4 years	7 & 2 years	6 & 3 years
1 st year of Period 2	\$3.00	\$8.00	\$5.50
2 nd year of Period 2	\$5.50	\$8.00	\$8.00
3 rd year of Period 2	\$8.00	N/A	\$8.00
4 th year of Period 2	\$8.00	N/A	N/A

Rentals will be payable annually, in advance, and are to be submitted in the form of an irrevocable standby letter of credit, certified cheque 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 rate of \$8.00 per hectare. Such rentals will be payable monthly, in advance, at the rate of one twelfth (1/12) of the applicable annual rates.

Beaufort Sea & Mackenzie Delta:

Rentals may be payable on lands included in a Significant Discovery Licence.

Arctic Islands of Nunavut:

Rentals will be payable on lands included in a successor Significant Discovery Licence to an Exploration Licence issued after 2012.

5. ALLOWABLE EXPENDITURES¹

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 assists 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: 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.

All claims are subject to approval by the Minister and may be subject to a post audit if ordered by the Rights Administrator.

¹ Notes:

- (a) Claims should be made by letter from the Representative to the Rights Administrator, Northern Petroleum Resources 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 breakdown 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.
- (b) Costs must be incurred by the explorer, and must fairly and reasonably reflect the expense to the explorer of exploratory work.
- (c) Claims are subject to approval by the Minister.
- (d) Approval is subject to confirmation that program reporting requirements have been met to the satisfaction of the Regulator.
- (e) 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.
- (f) 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.
- (g) Guidance Notes on Claiming Allowable Expenditures as published on the Aboriginal Affairs and Northern Development Canada website and as amended from time to time are intended to assist the interest owner with a submission for a claim for allowable expenditures.

**SCHEDULE IV
REPRESENTATIVE(S) AND ADDRESSES FOR SERVICE**

Company Name

Address
(Attention:)

Telephone:
Facsimile:

**Northern Petroleum Resources Directorate
Northern Petroleum and Mineral Resources Branch**
Department of Indian Affairs and Northern Development
10 Wellington
Gatineau, Quebec
Postal Address:
Ottawa ON K1A 0H4
(Attention: Director)

Telephone: 819-953-2087
Facsimile: 819-953-5828

Rights@aandc.gc.ca

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