



PROPOSED 2012-2013 CALL FOR BIDS

FOR A

SIGNIFICANT DISCOVERY LICENCE

IN THE

ARCTIC ISLANDS OF NUNAVUT



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**PROPOSED 2012-2013 CALL FOR BIDS FOR A
SIGNIFICANT DISCOVERY LICENCE IN THE
ARCTIC ISLANDS OF NUNAVUT**

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 a Significant Discovery Licence in respect of one parcel comprising the following lands located in the Arctic Islands of Nunavut:

Bent Horn Lands		
(1,224 hectares, more or less)		Application Fee: \$10
Latitude*	Longitude*	Section(s)
76° 30' N	103° 30' W	71-72
76° 30' N	104° 00' W	1-2

*North American Datum 1927 (NAD27)

MAP WILL BE INSERTED IN FINAL PACKAGE



2. ACCEPTANCE AND AGREEMENT

Canada Petroleum Resources Act, subsections 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 *Significant Discovery 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, 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 ***date to be announced***.

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

Each bid submitted in response to a Call must be addressed to the Minister of Indian Affairs and Northern Development and be in double sealed envelopes bearing no corporate identification. The outer envelope should be clearly marked with the date and Call name, i.e. **2012-2013 Call for Bids for a Significant Discovery Licence – Arctic Islands of Nunavut**. The inner envelope(s) should be clearly marked with the date, Call name and parcel number”, i.e. **2012-2013 Call for Bids for a Significant Discovery Licence – Arctic Islands of Nunavut – Parcel No._____**.

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

To be accepted, bids must be accompanied by a financial instrument with respect of the Bid Deposit (see clause “4. (e) Bid Deposit” below).



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 sole criterion, namely, the total amount of money bid, in the form of a **one-time, non-refundable payment** to the Receiver General for Canada in accordance with clause “4. (f) Bid Payment” below.

(b) **MINIMUM BID**

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

Bids of less than **two million dollars** for the parcel will not be considered.

(c) **ACCEPTANCE/REJECTION OF BIDS**

Canada Petroleum Resources Act, subsection 15(1)

For the purpose of issuing a Significant Discovery Licence, the Minister will select the highest bid in terms of the sole criterion.

Bids will be accepted only in relation to the 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. (EDT) the day following notification.

(e) **BID DEPOSIT**

- (i) Each bid must be accompanied by a Bid Deposit in the amount of **fifty 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 the 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, following receipt of the payment of the full bid amount by the Rights Administrator.

(f) BID PAYMENT

- (i) The successful bidder will be required to submit the bid payment 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.
- (ii) Failure to post the bid payment 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 bid payment must be submitted in the form of a certified cheque, money order or bank draft payable to the "Receiver General for Canada".
- (iv) Parties submitting a joint bid may submit separate financial instruments representing their proportionate share of the bid payment, 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 representative as designated on the bid submission form will be responsible for collecting and submitting the parties' share of the bid payment.
- (v) Bid payments are **not refundable** as allowable expenditures are incurred on the Significant Discovery Licence.

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. APPLICATION FEE

Frontier Land Registration Regulations, Section 15

A ten dollar application fee for a Significant Discovery Licence must be submitted with the bid payment by separate cheque made payable to the “Receiver General for Canada”.

7. ISSUANCE OF LICENCE

Canada Petroleum Resources Act, section 16

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. SIGNIFICANT DISCOVERY LICENCE

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

Any Significant Discovery 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 Significant Discovery Licence for the 2012-2013 Call for Bids for a Significant Discovery Licence is attached.

9. TERMS AND CONDITIONS

(a) TERM

Canada Petroleum Resources Act, subsection 32(3)

Subject to the *Canada Petroleum Resources Act*, a Significant Discovery Licence continues in force, in relation to each portion of the frontier lands to which the licence applies, during such period as the declaration of significant discovery on the basis of which the licence was issued remains in force in relation to that portion.



(b) RENTALS

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

The Significant Discovery Licence shall be subject to the following rental regime.

- (i) Rentals on the Significant Discovery Licence will be applicable at the following rates:

Year 1 to 5	\$0.00
Year 6 to 10	\$50,000
Year 11 to 15	\$250,000
Year 16 to 20	\$1,000,000
Beyond year 20	Annual increase of \$100,000

Commencing on the anniversary date of year 11, the rental rates in the above-noted table will be adjusted by applying the annual change in the Consumer Price Index for Canada. The rental rates will be adjusted in the same manner on each anniversary date thereafter.

- (ii) Rental rates beyond year 20 will increase annually by \$100,000, and will be payable until the Significant Discovery Licence is terminated, or converted to a Production Licence.
- (iii) Rentals will be payable annually, in advance of the anniversary date of the Licence, 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 Administration.
- (iv) Rentals will be offset annually, to a maximum of one hundred percent (100%) of the rentals payable in that year, on the basis of a dollar offset for each dollar spent for that year, in accordance with clause "9. (c) Allowable Expenditures" below.
- (v) To the extent that allowable expenditures for a given year are greater than the amount of that year's rentals, the excess shall be carried forward to reduce rentals otherwise payable in ensuing rental years.
- (vi) Failure to pay rentals will result in the early termination of the Significant Discovery Licence. Consequently, lands revert to the Crown.



(c) ALLOWABLE EXPENDITURES

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

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 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.

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) 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 Petroleum Resources Directorate (formerly Northern Oil and Gas Branch). The Guidance Notes may be amended from time to time.

Prior to launching a Call for Bids for a Significant Discovery Licence, the Guidance Notes on Claiming Allowable Expenditures will be amended to reflect their application, as appropriate, to allowable costs incurred under a Significant Discovery Licence issued as a result of this Call.

(d) PLANNING REPORT

The interest owner shall provide to the Minister, in writing, annual reports describing activities planned to be undertaken to advance work on the Licence for the upcoming year as well as details of any activities undertaken in the preceding year. The annual report shall be filed each year on the anniversary of the effective date of the Licence.

The report should be sent to:

Attention: Director
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



(e) 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.

(f) ENVIRONMENTAL STUDIES RESEARCH FUND (ESRF) LEVIES

Canada Petroleum Resources Act, section 81

Upon issuance of a Significant Discovery 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 Significant Discovery 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 Significant Discovery Licence by the ESRF rate for the applicable region. Where applicable, the ESRF Administrator will send notices to the representative of the Significant Discovery Licence. More information can be found at: www.esrfunds.org.

(g) 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 for northern benefits.



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

Some areas on the map attached are of particular environmental importance. They have been identified to alert interested parties 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.

The **Petroleum and Environmental Management Tool** (www.aadnc-aandc.gc.ca/eng/1315784918505/) ranks the Arctic Islands of Nunavut and surrounding areas in terms of relative environmental and socio-economic sensitivity. This information has been identified by specialists and is intended to alert interested parties that this area may be subject to additional regulatory terms and conditions. In areas of the Call not covered by the Petroleum and Environmental Management Tool, please refer to the "Area subject to specific environmental considerations" on the attached map.

Specific environmental information has been provided by Nunavut Tunngavik Incorporated and marine and wildlife specialists, such as Fisheries and Oceans Canada, Environment Canada and the Government of Nunavut. The Canadian Wildlife Service advises that the Ivory Gull has been listed by the Committee on the Status of Endangered Wildlife in Canada (COSEWIC) as "Endangered"; the Red Knot, a medium-sized shorebird which nests in the region, is listed as "Special Concern"; and the Ross's Gull is listed as "Threatened", under the *Species at Risk Act*. Information on all of the species at risk in this region can be found at



www.sararegistry.gc.ca . The Canadian Wildlife Service has extensive information on known breeding locations in the high Arctic, and proponents should contact its Iqaluit office for further information (867-975-4633).

Fisheries and Oceans Canada encourages operators to contact its Iqaluit office for fisheries and mammal sensitivity information in the Nunavut area (867-979-8010).

Polar Bears and Peary Caribou inhabit the Arctic Islands of Nunavut. Polar Bears are listed as “Special Concern” by COSEWIC, while the Peary Caribou are listed as “Endangered” by the Government of Canada. Management of bears and caribou is a territorial responsibility and thus proponents should contact the Iqaluit office of the Government of Nunavut for further information on important locations for these species (Department of Environment (867-975-7704).

The Nunavut Planning Commission has prepared a Draft Nunavut Land Use Plan to encourage discussion on land use planning in the Nunavut Settlement Area. The plan provides an illustration of how the Nunavut Land Use Plan may guide development, once approved. Interested parties are encouraged to look at the draft plan which can be accessed at:
www.nunavut.ca/en/draft-plan.

(ii) LAND CLAIMS REQUIREMENTS

The successful bidders shall comply with the terms of the *Nunavut Land Claims Agreement*. Interested parties are advised to obtain a copy of the agreement (www.aadnc-aandc.gc.ca/eng/1100100030601/).

(iii) NORTHERN BENEFITS REQUIREMENTS ASSOCIATED WITH NEW EXPLORATION PROGRAMS

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

(1) *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.

(2) 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:

- a brief work program description;
- total program costs (total value of purchased goods and services, total direct wages and total direct work months);
- total direct wages by northern community of residence;
- total direct work months by community of residence;
- number of northern community residents employed for each program component (e.g. seismic, drilling, support and construction);
- total value of purchased goods and services from each northern community, including a brief description of the goods and services purchased from each community;
- listing of consultations undertaken;
- a brief description of any programs that may be undertaken in the next work season.



Benefits Plans and Reports for Nunavut and the adjacent northern offshore are to be sent to AANDC Headquarters:

Director
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

Note: The Northern Benefits Requirement Associated with New Exploration Programs is currently under review. For more information on the review process and the interpretation of the current requirements, please contact: LOPC-COGOA@aadnc-aandc.gc.ca, or visit www.aadnc-aandc.gc.ca/eng/1100100036925/.



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
Tel: 819-953-2087; Fax: 819-953-5828
Rights@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



NUNAVUT CONTACT LIST	
Nunavut Tunngavik Incorporated	www.tunngavik.com/
*Lands and Resources, Nunavut Tunngavik Incorporated	www.ntilands.tunngavik.com/
Nunavut Land Claims Agreement	www.aadnc- aandc.gc.ca/eng/1100100030601
Nunavut Wildlife Management Board	www.nwmb.com/
Nunavut Planning Commission	www.nunavut.ca
Nunavut Impact Review Board	www.nirb.ca/
REGIONAL INUIT ASSOCIATIONS	
Kitikmeot Inuit Association	www.polarnet.ca/polarnet/kia.htm
Kivalliq Inuit Association	www.kivalliqinuit.ca/home.html
Qikiqtani Inuit Association	www.qia.ca/i18n/english/home.shtm

* Primary Contact - Designated Inuit Organization

Please note that Designated Inuit Organization 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 of the *Nunavut Land Claim Agreement*.



BID SUBMISSION FORM

This bid is submitted in response to the Arctic Islands of Nunavut

Call for Bids for a Significant Discovery Licence, closing on [*date to be announced*];

with regards to parcel No. _____ with a Bid of \$ _____.
(Minimum \$2,000,000 bid)

As per clause 4(e) of the Call for Bids for a Significant Discovery Licence, 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 4(f) and clause 6 of the Call for Bids, the successful bidder will be required to submit the bid payment and the application 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.

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

<i>Representative</i> →	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 contained in the Call for Bids for a Significant Discovery Licence and have enclosed the Bid Deposit, as indicated above.

_____ <i>Name & Title</i>	_____ <i>Signature</i>	_____ <i>Date</i>
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Bid must be submitted as per clause 3 of the Call for Bids for a Significant Discovery Licence. For more information, please contact:

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

BENT HORN

SIGNIFICANT DISCOVERY LICENCE No. SDLXXX

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

EXAMPLE

TO THE INTEREST OWNER [name]

WHEREAS the Minister is empowered pursuant to the *Canada Petroleum Resources Act* to issue a Significant Discovery Licence (hereinafter called the "Licence") relating to the Lands;

AND WHEREAS a Declaration of Significant Discovery was made on September 23, 1985, in respect of the Bent Horn N-72 discovery well;

AND WHEREAS, the Minister selected the bid in the amount of \$XXXXX submitted by XXXXX (and XXXXX) as the winning bid in respect of parcel No. XXXXX posted in the 2012-2013 Arctic Islands of Nunavut Call for Bids published in the *Canada Gazette* on[*date*];

AND WHEREAS, Company XXXXX (and Company XXXXX) in submitting such a bid has (have) agreed to the terms and conditions of this Licence;

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

1. INTERPRETATION

- (1) 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) "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.
- (2) All words and phrases used in this Licence have the meaning given by the Act, the Operations Act, or the Regulations.
- (3) 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.
- (4) The following Schedules are attached and made part of this Licence:
 - Schedule I - Lands
 - Schedule II - Ownership
 - Schedule III - Terms & 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 owner or 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 licence is effective as of [*closing date of the call for bids*].

4. 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 shall be refunded annually at the rate set forth in Schedule III.

5. PLANNING REPORT

The interest owner shall provide to the Minister in writing annual reports describing activities planned to be undertaken to advance work on the Licence for the upcoming year as well as details of any activities undertaken in the preceding year. The annual report shall be filed each year on the anniversary of the effective date of the Licence.

6. NON-COMPLIANCE

Failure to pay rentals, file annual planning reports 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, 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 the purposes of subparagraph 7(a), "Canada" shall not include a Crown corporation.
- (c) This commitment to indemnify Canada shall survive the expiration of this Licence and will be incorporated into any 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 production licence that arises therefrom.

9. SUCCESSORS AND ASSIGNS

Subject to paragraphs 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. 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.

12. 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 _____ 20XX

Minister of Indian Affairs and Northern Development

**SCHEDULE I
LANDS**

Latitude* **Longitude*** **Section**

AREA: Hectares (more or less)

*North American Datum 1927 (NAD27)

EXAMPLE

**SCHEDULE II
OWNERSHIP**

Interest Holder(s)

Share %

EXAMPLE

**SCHEDULE III
TERMS AND CONDITIONS**

1. RENTALS

This Licence shall be subject to the following rental regime:

- (i) Rentals on this Licence will be applicable at the following rates:

Year 1 to 5	\$0.00
Year 6 to 10	\$50,000
Year 11 to 15	\$250,000
Year 16 to 20	\$1,000,000
Beyond year 20	Annual increase of \$100,000

Commencing on the anniversary date of year 11, the rental rates in the above-noted table will be adjusted by applying the annual change in the Consumer Price Index for Canada. The rental rates will be adjusted in the same manner on each anniversary date thereafter.

- (ii) Rental rates beyond year 20 will increase annually by \$100,000, and will be payable until this Licence is terminated or converted to a Production Licence.
- (iii) Rentals will be payable annually, in advance of the anniversary date of the Licence, and are to be submitted in the form of an irrevocable standby letter of credit, certified cheque or other negotiable financial instruments in a form satisfactory to the Minister.
- (iv) Rentals will be offset annually, to a maximum of one hundred percent (100%) of the rentals payable in that year, on the basis of a dollar offset for each dollar of allowable expenditures for that year.
- (v) To the extent that allowable expenditures for a given year are greater than the amount of that year's rentals, the excess shall be carried forward to reduce rentals otherwise payable in ensuing rental years.

2. ALLOWABLES EXPENDITURES¹

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 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.

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) 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:)

Phone:
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: 819-997-0877
Facsimile: 819-953-5828

Rights@aandc.gc.ca

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