

CALL FOR BIDS NO. NS07-1

Canada-Nova Scotia Offshore Petroleum Board
6th Floor, T.D. Centre
1791 Barrington Street
Halifax, Nova Scotia
B3J 3K9
Canada

902-422-5588

www.cnsopb.ns.ca

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1.0 CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD – PROFILE

The Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) is the independent joint agency of the Governments of Canada and Nova Scotia responsible for the regulation of petroleum activities in the Nova Scotia Offshore Area.

The Board's authority is derived from the legislation implementing the August 26, 1986 Accord between the two governments. The *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act* and the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation (Nova Scotia) Act* provides for the joint management of the Nova Scotia offshore area.

The Board's principal responsibilities include:

- health and safety for offshore workers;
- protection of the environment during offshore petroleum activities;
- management and conservation of offshore petroleum resources;
- compliance with the provisions of the Accord Acts that deal with Canada-Nova Scotia employment and industrial benefits;
- issuance of licences for offshore exploration and development;
- resource evaluation, data collection, curation and distribution.

Certain aspects of petroleum activities also fall under the regulatory authority of other agencies. To ensure effective coordination of all the regulatory requirements, the Board takes the lead role in coordinating regulatory activities. The Board has also entered into Memoranda of Understanding (MOU) with the appropriate departments and agencies to ensure effective coordination and avoid duplication of work and activities.

The Board maintains an open and transparent regulatory process to the maximum extent possible in order to demonstrate publicly that the offshore is being regulated in an appropriate manner. The legislation provides specific confidentiality requirements as set out in the Accord Acts.

The Board views consultation as an effective tool for its decision making process. The Board, through its MOU's and authorization process, consults with departments and agencies, other interested groups and the public to obtain input in its decision making process.

The Board consists of five members and two alternate members who are appointed for fixed terms of office. The Government of Canada and the Government of Nova Scotia each appoint two members and one alternate member. The Chairman is jointly appointed by both governments. The Chief Executive Officer reports to the Board and is responsible for the day to day operations of the Board.

More information about the CNSOPB can be found at www.cnsopb.ns.ca.

2.0 CALL FOR BIDS NO. NS07-1

The Canada-Nova Scotia Offshore Petroleum Board (the "Board") hereby calls for bids for two Exploration Licences covering those lands in the Nova Scotia offshore area described in Appendix I (the "Lands").

2.1 *Applicable Legislation*

This Call for Bids is made pursuant to the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act*, S.C. 1988, c. 28, as amended, and the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation (Nova Scotia) Act*, S.N.S. 1987, c. 3, as amended (the "Legislation").

2.2 *Terms and Conditions of Exploration Licences & Significant Discovery Licences*

The Exploration Licence for each parcel will be substantially in the form attached hereto as Appendix III. Any succeeding Significant Discovery Licence issued with respect to the Lands will be substantially in the form attached hereto as Appendix IV. The submission of bids in response to this Call for Bids shall constitute agreement to the terms and conditions set out in Appendix III and IV.

2.3 *Submission of Bids*

- (a) Bids must be received by the Board before **4:00 p.m. Atlantic Standard Time, June 30, 2008** at the following address:

Canada-Nova Scotia Offshore Petroleum Board
6th Floor, T.D. Centre
1791 Barrington Street
Halifax, Nova Scotia
B3J 3K9

- (b) Bids must be in the form attached as Appendix II and must be submitted in a sealed envelope marked "CALL FOR BIDS No. NS07-1 (Parcel # _)."
- (c) The Board may amend this Call for Bids at any time up until 10 days prior to the Closing Date specified in paragraph (a) above. Any amendment made to the Call for Bids shall be published on the Board's website (www.cnsopb.ns.ca). Bidders are advised to refer to the Board's website prior to submitting their bids.

2.4 Submission of Written Comments

The public is invited to submit written comments to the Board on the Lands included in the Call for Bids. Such submissions will be considered by the Board before the issuance of Exploration Licences. The deadline for the submission of written comments is **4:00 p.m. Atlantic Standard Time, June 16, 2008.**

2.5 Bid Selection Criterion

(a) Work Expenditure Bid

- (i) Bidding on each parcel will be based solely on the amount of money proposed to be expended on the exploration of the respective parcel and on research & development and education & training within Period 1 of the term of the Exploration Licence (“Work Expenditure Bid”), determined in accordance with the Schedule of Allowable Expenditures as defined in Schedule B of the Exploration Licence attached as Appendix III.
- (ii) In submitting a Work Expenditure Bid, the bidder commits to spend at least 95% of the Work Expenditure Bid on exploration of the respective parcel.
- (iii) There is no obligation for the bidder to include research & development or education & training as part of the Work Expenditure Bid. However, in the event the bidder spends money on such purposes, a maximum of 5% of the Work Expenditure Bid may be applied for as an Allowable Expenditure as defined in Schedule B of the Exploration Licence attached as Appendix III.
- (iv) The Schedule of Allowable Expenditures will be used in determining the amount of money expended pursuant to the Work Expenditure Bid, and is defined in Schedule B of the Exploration Licence attached as Appendix III.

(b) Minimum Bid

- (i) The minimum bid that will be considered is **\$500,000** of work expenditure.
- (ii) The submission of a Work Expenditure Bid does not obligate the successful bidder to perform work. However, if work is not performed in the full amount of the bid, the unrefunded balance of the Work Deposit will be forfeited upon expiry, surrender or cancellation of Period 1, as more particularly described in the form of Exploration Licence attached as Appendix III.

(c) *Acceptance and Rejection*

The Board is not obliged to accept any bid nor is the Board required to issue an interest as the result of this Call for Bids.

(d) *Tied Bids*

In the event that two or more bids are tied, each bidder will be notified of the tie and will have the opportunity to submit a new bid in the proper form within twenty-four hours of being notified.

2.6 **Deposits**

(a) *Bid Deposit*

- (i) Each bid must be accompanied by a Bid Deposit in the amount of **\$10,000**, in the form of a **certified cheque or bank draft payable to the Receiver General for Canada**.
- (ii) The Bid Deposit of the successful bidder will be returned, without interest, when the Licence Deposit is posted and any outstanding Environmental Studies Research Fund levies are paid, as described below.
- (iii) The failure of the successful bidder to post the Licence Deposit within the specified time will result in forfeiture of the Bid Deposit and disqualification of the bid, and in that event the Board may, if it sees fit, award the Exploration Licence to the second highest bidder without making another Call for Bids.
- (iv) Bid Deposits will be returned to unsuccessful bidders, without interest, following announcement of the winning bid.
- (v) Bid deposits will be returned by courier service unless the bidder requests in writing, at the time of bid submission for the Board to hold the Bid Deposit at its office until it is picked up by the bidder or designated representative or agent of the bidder.

(b) *Licence Deposit*

- (i) As a condition of issuance of the Exploration Licence, the successful bidder will be required to post a refundable Licence Deposit of **\$50,000** in the form of a **certified cheque or bank draft payable to the Receiver General for Canada within thirty (30) days** of being notified that its bid was successful. This

deposit will be refunded in full upon the posting of the Work Deposit, as described in paragraph 2.6 (c) (i) below. No interest will be paid on this Licence Deposit.

- (ii) In the event that the Work Deposit is not posted by the third anniversary of the licence, the Licence Deposit will be forfeited and the licence cancelled.
- (iii) Parties submitting a joint bid may post separate securities representing each party's proportionate share of the required Licence Deposit. However, the Board will only deal with the representative designated in the bid. The failure of any party to submit its share of the Licence Deposit will be considered the failure of all parties participating in the joint bid.

(c) *Work Deposit*

- (i) The interest owner will be required to post 25% of the Work Expenditure Bid as security for the performance of work by no later than the **third anniversary** of the licence. This deposit will be referred to as the Work Deposit. Failure to post the Work Deposit as security for the performance of work will result in the cancellation of the licence and forfeiture of the Licence Deposit.
- (ii) This Work Deposit is refundable to the extent of 25% of approved Allowable Expenditures, as more particularly described in the form of Exploration Licence attached as Appendix III.
- (iii) Work Deposits must be in the form of cash or promissory notes payable on demand to the Receiver General for Canada. The promissory note must be accompanied by a bank letter of guarantee issued by a Canadian chartered bank which states their agreement to honour on presentment for payment. The form of the promissory note and bank guarantee must be acceptable to the Board. Acceptable forms of a promissory note and bank guarantee are attached as Appendix VI.
- (iv) Parties submitting a joint bid may post separate securities representing each party's proportionate share of the required Work Deposit. However, the Board will only deal with the representative designated in the bid. The failure of any party to submit its share of the Work Deposit will be considered the failure of all parties participating in the joint bid.

2.7 Identification of Bidders

- (a) Bids must identify the parties making the bid and their participating shares. Under the Legislation, an Exploration Licence must be issued to the person who submits the winning bid. Therefore, agents should identify the principals

for whom they act and their participating shares. The Board will publicly announce the identity of the successful bidder and the amount of the winning bid.

- (b) The identities of unsuccessful bidders and the amounts of their bids will not be disclosed.

2.8 Environmental Studies

- (a) In accordance with the Legislation, prior to the authorization of any petroleum related activities on the Lands the operator must demonstrate to the satisfaction of the Board that such activities can be conducted in an environmentally safe manner. Special precautions, such as enhanced environmental assessments, more stringent mitigation measures and environmental effects monitoring may be required in some cases.
- (b) Upon issuance of the Exploration Licence, the successful bidder must pay Environmental Studies Research Fund (ESRF) levies under Part VII of the *Canada Petroleum Resources Act*, S.C. 1986, c. 45, for the year in which the licence is issued and retroactive levies for the two preceding years. Thereafter, ESRF levies as fixed from time to time by the federal Minister of Natural Resources will be payable unless the interest owner surrenders the licence prior to the payment due date.
- (c) ESRF matters are not administered by the Board, but are the responsibility of the federal Minister of Natural Resources, who has delegated administrative responsibility to the National Energy Board. ESRF levies are determined by multiplying the number of hectares of land included in the licence by the ESRF rate for the applicable region.

2.9 Benefits Plan

- (a) Operators proposing to conduct work in the Nova Scotia Offshore Area will ordinarily be required to submit a Canada-Nova Scotia benefits plan to the Board for approval. This is a plan required by the Legislation for the employment of Canadians, and in particular, members of the labour force of Nova Scotia, and for providing manufacturers, consultants, contractors and service companies in Nova Scotia and other parts of Canada with a full and fair opportunity to participate on a competitive basis in the supply of goods and services.
- (b) Industrial Benefits and Employment Plan Guidelines and Industrial Benefits Information Bulletin are attached as Appendix V.

2.10 Information

- (a) Geological, geophysical and well information is available with respect to the Lands and the surrounding area on the web at www.cnsopb.ns.ca or requests for information may be directed to:

Mary Jean Verrall
Supervisor, Geoscience Research Centre
201 Brownlow Avenue
Dartmouth, Nova Scotia
B3B 1W2
Tel. (902) 468-3994
Fax (902) 468-4584
mverrall@cnsopb.ns.ca

- (b) Inquiries regarding this Call for Bids may be directed to:

Steven F. Bigelow
Manager, Resources and Rights
Canada-Nova Scotia Offshore Petroleum Board
6th Floor, T.D. Centre
1791 Barrington Street
Halifax, Nova Scotia
B3J 3K9
Tel. (902) 422-5588
Fax (902) 422-1799
sbigelow@cnsopb.ns.ca

2.11 Non-Compliance

Failure to comply with the Call for Bids or any term or condition of the Exploration Licence or resulting Significant Discovery Licence or Production Licence may result in cancellation of the respective Licence.

DATED at Halifax, Nova Scotia this 4th day of October, 2007.

CANADA-NOVA SCOTIA OFFSHORE
PETROLEUM BOARD



Diana L. Dalton
Acting Chief Executive Officer

APPENDIX I

CALL FOR BIDS NO. NS07-1 the "LANDS"

LAND PARCEL NO. 1 – All petroleum substances in all geological formations

| Grid* | Hectares | Sections |
|-----------------------|----------------------|--|
| 44-10 – 60-00 | 18,500 | 6-10, 16-20, 26-30, 36-40, 46-50, 56-60, 66-70, 76-80, 86-90, 96-100 |
| 44-10 – 59-45 | 9,250 | 56-60, 66-70, 76-80, 86-90, 96-100 |
| 44-20 – 59-45 | 9,250 | 51-55, 61-65, 71-75, 81-85, 91-95 |
| 44-20 – 60-00 | 18,500 | 1-5, 11-15, 21-25, 31-35, 41-45, 51-55, 61-65, 71-75, 81-85, 91-95 |
| Total Hectares | (Approximate) | 55,500 |

LAND PARCEL NO. 2– All petroleum substances in all geological formations

| Grid* | Hectares | Sections |
|-----------------------|----------------------|--|
| 43-50 – 59-30 | 33,903 | 1-50, 53-60, 63-70, 73-80, 83-90, 92-100 |
| 44-00 – 59-30 | 24,542 | 1-3, 6, 7, 11-13, 16, 17, 21-27, 31-37, 41-47, 51-57, 61-67, 71-77, 81-87, 91-97 |
| Total Hectares | (Approximate) | 58,445 |

*NAD 1927

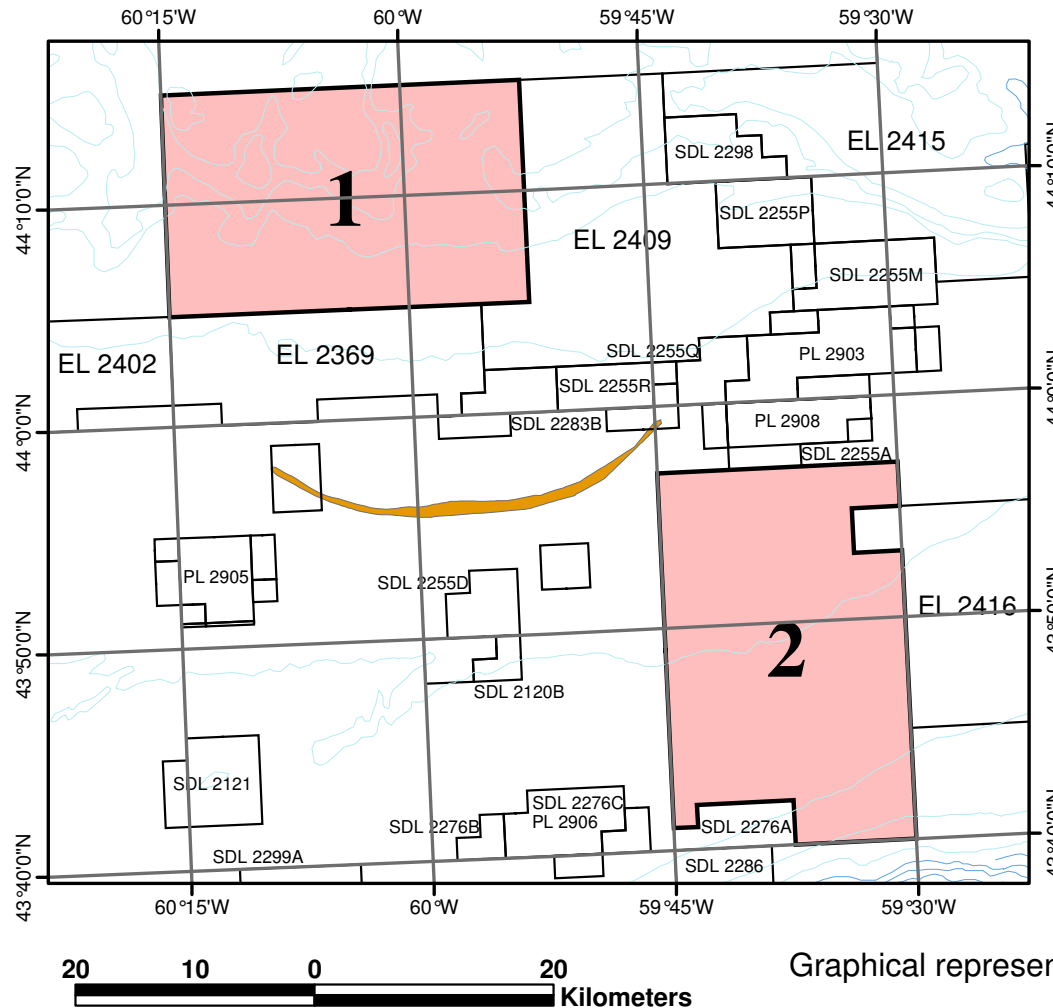
CALL FOR BIDS NS07-1 LAND PARCELS 1 & 2



Canada-Nova Scotia
Offshore Petroleum Board
6th Floor, TD Centre
1791 Barrington Street
Halifax, Nova Scotia
B3J 3K9
902-422-5588
www.cnsopb.ns.ca

Water Depth
#1 50-200 m
#2 0-150 m

Approx. Acreage
#1 55,500 ha
#2 58,445 ha
Total 113,945 ha



Graphical representation only. See Appendix I

- NS07-1 Parcels
- Existing Licences
- Sable Island

APPENDIX II

**CALL FOR BIDS NO. NS07-1
BID RESPONSE FORM
LAND PARCEL # _____**

To: The Canada-Nova Scotia Offshore Petroleum Board

The undersigned, on behalf of itself and the other bidders noted below, hereby submits a Work Expenditure Bid for land Parcel # _____ in response to Call for Bids NS07-1 in the amount of:

\$ _____ (Canadian funds).

This bid is made on behalf of the following:

| <i>Full legal name of bidder</i> | <i>Mailing address and street address (if different)</i> | <i>Share (%)</i> |
|----------------------------------|--|------------------|
|----------------------------------|--|------------------|

The undersigned represents that it has the authority to act for and bind the other bidders as their agent in making this bid, and as such agrees on behalf of itself and the other bidders that the terms and conditions contained in the form of Exploration Licence and Significant Discovery Licence attached to the Call for Bids will apply if this bid is successful. The bidders appoint the above-named

[insert company name of representative]

as their representative for all purposes of Part II of the Legislation and acknowledge that all further communications related to this bid or any resulting licence will be exclusively with such representative. A bid deposit in the amount of \$10,000 CDN is submitted with this bid.

Representative Information:

Contact Name: _____

Contact Title: _____

Phone Number: _____

Fax Number: _____

Email: _____

DATED this _____ day of _____, 2008.

(Name)

By: _____
(Signature)

(Title)

APPENDIX III

CALL FOR BIDS NO. NS07-1

FORM OF EXPLORATION LICENCE

EXPLORATION LICENCE NO. _____

The Canada-Nova Scotia Offshore Petroleum Board (the "Board") hereby issues this Exploration Licence ("Licence") to the interest holders set out in Schedule A, in the respective shares set out opposite the name of each interest holder. This Licence is issued pursuant to the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act*, S.C. 1988, c. 28, as amended, and the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation (Nova Scotia) Act*, S.N.S. 1987, c. 3, as amended (the "Legislation") and shall be subject to the following terms and conditions:

1. **INTERPRETATION**

Any words or phrases defined in the Legislation shall have the same meanings in this Licence unless the context otherwise requires.

2. **RIGHTS AND LANDS**

This Licence confers the rights attaching to Exploration Licences under the Legislation with respect to those portions of the offshore area described in Schedule A (the "Lands").

3. **TERM**

- (a) The effective date of this Licence is September 15, 2008.
- (b) Subject to paragraph 3(j) below, the term of this Licence is 9 years, consisting of two consecutive periods referred to as Period 1 and Period 2.
- (c) Period 1 is a period of 5 years commencing on the effective date of this Licence specified below. This period will be extended by one year if, before the end of the fifth year, a well is commenced or a Drilling Deposit is posted, as described in section 6 below.

- (d) No extension to Period 1 will be granted if there are unpaid Environmental Studies Research Fund Levies.
- (e) If the drilling of a well has been commenced during Period 1 and continues beyond the sixth year of Period 1, Period 1 will be further extended for so long as the drilling of that well is being pursued diligently.
- (f) Period 2 immediately follows Period 1 and consists of the balance of the term of this Licence.
- (g) In order to validate this Licence for Period 2, the drilling of a well must be commenced within Period 1 and diligently pursued to termination in accordance with good oilfield practice. Failure to fulfill this drilling requirement will result in the cancellation of this Licence at the end of Period 1.
- (h) The validation well must adequately test a valid geological target to be declared to the Board by the interest owner prior to the commencement of the well.
- (i) Upon the expiration of Period 2 this Licence shall terminate and all Lands shall revert to the Crown except those which have been converted to a Significant Discovery Licence or a Production Licence.
- (j) If a well has been commenced before the expiration of this Licence, this Licence will continue in force while the drilling of that well is being pursued diligently and for so long thereafter as may be necessary to determine the existence of a significant discovery based on the results of that well.

4. LICENCE DEPOSIT

- (a) Pursuant to Call for Bids NS07-1 the interest owner has provided the Board with a Licence Deposit in the amount of \$50,000. This deposit will be refunded in full upon the posting of the Work Deposit, as described in paragraph 5(a) below. No interest will be paid on the Licence Deposit.
- (b) In the event that the Work Deposit is not posted by the third anniversary of this Licence, the Licence Deposit will be forfeited and this Licence cancelled.

5. WORK DEPOSIT

- (a) The total Work Deposit required to be posted as security for the performance of work is 25% of the Work Expenditure Bid as set out in Schedule A (the "Work Deposit"). The Work Deposit is required to be posted no later than the

third anniversary of this Licence. No interest will be paid on the Work Deposit. Failure to post the Work Deposit as security for the performance of work will result in the cancellation of this Licence and forfeiture of the Licence Deposit.

- (b) This Work Expenditure Bid is based on the amount of money proposed to be expended on the exploration of the respective parcel and on research & development and education & training within Period 1 of the term of this Licence, determined in accordance with the Schedule of Allowable Expenditures set out in Schedule B.
- (c) In submitting a Work Expenditure Bid, the bidder commits to spend at least 95% of the Work Expenditure Bid on exploration of the respective parcel.
- (d) There is no obligation for the bidder to include or to commit to spend money during Period 1 on research & development or education & training as part of the Work Expenditure Bid. However, in the event the bidder spends money on such purposes, a maximum of 5% of the Work Expenditure Bid may be applied for as an Allowable Expenditure as defined in Schedule B.
- (e) On the first anniversary of this Licence and each anniversary thereafter, the interest representative is required to submit to the Board an application for approval of Allowable Expenditures incurred during the preceding year.
- (f) Allowable Expenditures approved in the first three years of this Licence will be credited at a rate of 150% and carried forward to offset the Work Deposit to be posted at the end of the third year.
- (g) Allowable Expenditures that are expended in Period 2 shall not be credited against the Work Deposit.
- (h) The interest owner is not obligated to perform work under this Licence. However, if the interest owner does not perform work in the full amount of its Work Expenditure Bid, the unrefunded balance of the Work Deposit will be forfeited to the Receiver General for Canada upon the expiry, surrender or cancellation of Period 1.

6. DRILLING DEPOSIT

- (a) The interest owner may, at its option, extend Period 1 from 5 years to 6 years if, before the end of the fifth year of Period 1, a well is commenced or a Drilling Deposit posted.
- (b) The Drilling Deposit shall be in the amount of \$500,000 and shall be in a form acceptable to the Board. No interest will be paid on the Drilling Deposit.

- (c) Should a Drilling Deposit be posted, it will be refunded in full if this Licence is validated for Period 2 by the drilling of a well.
- (d) If a validation well is not drilled, the Drilling Deposit will be forfeited to the Receiver General for Canada upon the expiry, surrender or cancellation of Period 1.
- (e) Allowable Expenditures cannot be applied against the Drilling Deposit.

7. RENTALS

- (a) No Rentals are payable in respect of Period 1.
- (b) Refundable Rentals are payable during each year of Period 2 at the following rates:

| Year | Amount per Hectare |
|-------------|---------------------------|
| 6 | \$2.50 |
| 7 | \$2.50 |
| 8 | \$5.00 |
| 9 | \$7.50 |

- (c) For great certainty, Rentals shall be calculated on the basis on the total hectarage of Lands held as part of this Licence as of the anniversary date.
- (d) Rentals are payable on the anniversary date of this Licence, and shall be paid annually in advance to the Board by a cheque or draft made payable to the Receiver General for Canada. Failure to pay Rentals within 90 days of notice of default will result in cancellation of this Licence.
- (e) When Period 1 is extended beyond the sixth year due to the drilling of a well, the first year of Period 2 will be a partial year ending the day before the next anniversary date of this Licence. Rentals for the first year of Period 2 shall nevertheless be payable at the full annual rate and shall be paid in advance at the commencement of Period 2.
- (f) If this Licence continues in force beyond Period 2, Rentals will be payable at the rates applicable during the last year of Period 2.
- (g) Rentals will be refunded upon annual application to the Board to the extent of approved Allowable Expenditures incurred during Period 2. Allowable

Expenditures incurred in a particular year of Period 2 that are in excess of what is required to reduce Rentals to zero in that year may be carried forward for the purpose of reducing Rentals paid in subsequent years of Period 2. Allowable Expenditures incurred in Period 1 after completion of the first well may also be carried forward for this purpose into Period 2 to the extent that they have not been taken into account in refunding all or part of the Work Deposit.

- (h) Rentals are not refunded as a result of a surrender or partial surrender of this Licence.

8. ALLOWABLE EXPENDITURES

Allowable Expenditures shall be determined in accordance with Schedule B.

9. INDEMNITY

- (a) Holders of shares in this Licence shall at all times jointly and severally indemnify the Board and Her Majesty the Queen in right of Canada and in right of the Province of Nova Scotia against:
 - (i) all actions, claims and demands that may be brought or made by any person by reason of anything done or omitted to be done under this Licence by, through or under the interest owner or an interest holder, in relation to those portions of the Lands with respect to which they hold shares; and
 - (ii) all costs that the Board or Her Majesty the Queen may incur in connection with any such action, claim or demand.
- (b) For purposes of this section, the expression "Her Majesty the Queen" shall not include any Crown corporation.
- (c) This section 9 shall survive this Licence and will be included in any Significant Discovery Licences and Production Licences that may result from this Licence.

10. WORK PLAN

- (a) The interest owner must submit a Work Plan, acceptable to the Board, within ninety (90) days of the effective date of this Licence outlining the anticipated exploration of the Lands during the first three years of Period 1.

- (b) Failure to submit an acceptable Work Plan as required in paragraph 10(a) may result in the cancellation of this Licence.
- (c) The interest owner must provide annual reports regarding the Work Plan on the first anniversary of this Licence and each anniversary thereafter during the three year period covered by the Work Plan.
- (d) If, after reviewing an annual report, the Board is of the opinion that the interest owner is not diligently pursuing the Work Plan, or other activities acceptable to the Board, the Board may, after providing sixty (60) days notice to the interest owner and providing an opportunity for the interest owner to be heard, cancel this Licence.

11. SUBMISSION OF GEOSCIENCE DATA

Upon expiry, surrender or cancellation of this Licence, the interest owner shall, if it is not already done so, immediately submit to the Board all geoscience data acquired with respect to the exploration of the Lands. This data will be subject to disclosure in accordance with the Legislation and the Board's Data Disclosure Policy.

12. REPRESENTATIVE

Unless otherwise designated in the prescribed manner, the representative of the interest owner for all purposes of Part II of the Legislation shall be as specified in Schedule A.

13. NOTICES

Any notice to the interest owner or any interest holder required or permitted under the Legislation may be given by personal delivery or single registered mail to the representative of the interest owner at the address specified in Schedule A, or such other address as may be designated to the Board by the representative from time to time, and shall be deemed to have been received by the representative at the time of delivery if personally delivered, or on the fifth day after mailing if sent by registered mail.

14. ENVIRONMENTAL PROTECTION

In accordance with the Legislation, prior to the authorization of any petroleum related activities on the Lands the operator must demonstrate to the satisfaction of the Board that such activities can be conducted in an environmentally safe manner. Special precautions, such as enhanced environmental assessments, more stringent mitigation measures and environmental effects monitoring may be required in some cases.

15. TIME LIMITATIONS

- (a) In the event any interest holder wishes to submit an application for a Declaration of Significant Discovery pursuant to the Legislation (“Application”), unless the Board otherwise agrees in writing, such Application shall be submitted within six (6) months following rig release of the drilling unit respecting the prospective discovery well, or six (6) months prior to the scheduled expiry date of this Licence, whichever occurs later.
- (b) Where any judicial review is explicitly stated to be available under any provision of the Legislation respecting any order, decision, or action by the Board, any application for such a judicial review shall be made no later than thirty (30) days following the date upon which such order, decision or action is effective pursuant to the Legislation.

16. DEEMED AGREEMENT

The acceptance of this Licence by the interest owner shall be deemed to constitute agreement by the interest holders to the terms and conditions contained herein.

IN WITNESS WHEREOF the Board has issued this Licence to be effective as of the 15th day of September, 2008.

CANADA-NOVA SCOTIA OFFSHORE
PETROLEUM BOARD

Chief Executive Officer

SCHEDULE B – EL ALLOWABLE EXPENDITURES

1. The Allowable Expenditures for any given year shall be the total calculated expenditures for that year (i.e. monies actually spent) based upon the following rates:
 - (a) Drilling: At cost.
 - (b) Seismic, Well-Site and Electromagnetic Surveys carried out by a party at arm's length from the interest owner, costs subject to the Board's approval:
 - (i) 2-D, 3-D and Ocean Bottom Cable seismic acquisition, purchase and processing and interpretation. At cost.
 - (ii) Wellsite and seabed survey. At cost.
 - (iii) Resistivity or Controlled Source Electromagnetic (CSEM) surveys or any other survey of this type. At cost.
 - (c) Overhead: 10% of the Allowable Expenditures in paragraph 1(b).
 - (d) Seabed & Other Surveys/Studies:
 - (i) Environmental field studies when they are required to obtain an authorization for work or activity. At cost.
 - (ii) Any other survey/study at a rate agreed to by the Board prior to the program commencement.
2.
 - (a) Each claim must be accompanied by a cost statement prepared and certified by a third-party auditor satisfactory to the Board.
 - (b) The expense of the third-party auditor is that of the interest owner and will not be included as an Allowable Expenditure.
 - (c) The Board shall approve the Terms of References/Scope of Work in relation to any audit to be performed in accordance with the requirements of this Schedule. The Board reserves the right to conduct its own audit if for any reasons it deems it necessary to do so.
3. Persons are not dealing at arm's length if they are not dealing at arm's length for the purposes of the *Income Tax Act* (Canada): see section 251 of that Act.

4. If the interest owner spends money on Research & Development and Education & Training:
 - (a) An interest owner will be permitted to apply for a maximum of 5% of the Work Expenditure Bid as an Allowable Expenditure during Period 1 for these purposes.
 - (b) Any Allowable Expenditure made in relation to Research & Development and Education & Training and applied for as a credit against the Work Deposit must be approved by the Board.

5. The interest owner may submit an application for credit against the Work Deposit or Rentals, as the case may be, in the form and manner required by the Board. The following conditions will apply:
 - (a) Applications for credit against the Work Deposit must be received annually by the Board no later than thirty (30) days following the anniversary of this Licence for expenses incurred in the preceding year. Any expense which would otherwise be considered as an Allowable Expenditure, but was made prior to the effective date of this Licence and after the date upon which the Board selected the interest owner's bid, shall be considered for inclusion as an Allowable Expenditure for Period 1;
 - (b) Applications for credit against Rentals must be received annually by the Board no later than thirty (30) days following the anniversary date of this Licence in Period 2;
 - (c) Applications for credit against the Work Deposit or Rentals must be received no later than thirty (30) days following the expiry, surrender or cancellation of the Licence;
 - (d) Failure to submit such applications within the appropriate time referred to above, shall mean that no Allowable Expenditures were incurred for that period.

APPENDIX IV

**CALL FOR BIDS NS07-1
FORM OF SIGNIFICANT DISCOVERY LICENCE**

SIGNIFICANT DISCOVERY LICENCE No. _____

THIS LICENCE is effective as of the _____ day of _____, 20____.

ISSUED BY The Canada-Nova Scotia Offshore Petroleum Board.

TO THE INTEREST OWNER

WHEREAS the Board is empowered pursuant to the Acts to issue a Significant Discovery Licence (hereinafter called the "Licence") related to the Lands described in Schedule A of this Licence;

AND WHEREAS the Board selected the bid submitted by _____ as the winning bid in respect of the Call for Bids No. NS07-1, Parcel No. _____;

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

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

1. INTERPRETATION

In this Licence, including all Schedules annexed hereto, unless the context requires otherwise;

- (a) "**Acts**" means the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act* and the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation (Nova Scotia) Act* and regulations thereto and any Acts or regulations made in substitution therefore;

(b) Any words or phrases defined in the Acts shall have the same meanings in this Licence unless the context otherwise requires.

2. RIGHTS

This Licence confers the rights attaching to a Significant Discovery Licence pursuant to the Acts with respect to those Lands described in Schedule A.

3. AGREEMENT

The submission of a bid by the interest owner in response to Call for Bids No. NS07-1 and its selection by the Board as the winning bid constitutes an agreement between the interest owner and the Board as to the terms and conditions contained herein relating to the portion of the Nova Scotia Offshore Area described in Call for Bids No. NS07-1, Parcel No. _____ that becomes subject to a Declaration of Significant Discovery and this Licence.

4. RENTALS – EXPLORATION LICENCE TERM

Should this Licence be issued in Period 1 or 2 of the preceding Exploration Licence, it shall be subject to the rental rates applicable to that Exploration Licence until the natural expiry of the Exploration Licence.

5. RENTALS – POST EXPLORATION LICENCE TERM

(a) This Licence shall be subject to the following refundable Rentals after the expiration of the term of the Exploration Licence:

| | |
|---------------|----------------------|
| Year 1 to 5 | \$0.00 per hectare |
| Year 6 to 10 | \$40.00 per hectare |
| Year 11 to 15 | \$100.00 per hectare |
| Year 16 to 20 | \$800.00 per hectare |

The Rentals applicable will be payable in constant (inflation adjusted) 2008 dollars.

Commencing on December 31, 2008, Rentals in the above noted table will be adjusted by applying the annual change in the Consumer Price Index for Canada. Rentals will be adjusted in the same manner on each December 31 thereafter. Pro-rated Rentals for year one of this Licence shall be paid prior to the issuance of this Licence with the applicable adjusted annual Rentals payable on or before January 15 of each year thereafter.

- (b) Rental rates of \$800.00 will increase by \$100.00 for each year beyond year 20, and will be payable in constant (inflation adjusted) 2008 dollars until this Licence is relinquished or converted to a Production Licence. For greater certainty, the interest owner may relinquish lands to reduce future Rental payments.
- (c) There shall be no carry forward of excess Allowable Expenditures from Exploration Licences.
- (d) Rentals are to be submitted by bank draft or certified cheque payable to the **Receiver General for Canada**.
- (e) For greater certainty, Rentals shall be calculated on the basis of the total hectarage of lands held as part of this Licence, as of the anniversary date.
- (f) Rentals will be refunded annually, to a maximum of one hundred percent (100%) of the Rentals paid in that year, on the basis of a dollar refund for each dollar of Allowable Expenditures for that year.
- (g) To the extent that Allowable Expenditures for a given year are greater than the amount of the applicable refund, the excess shall be carried forward to reduce the Rentals otherwise payable in ensuing Rental years.

5. **ALLOWABLE EXPENDITURES**

Allowable Expenditures shall be determined in accordance with the rates and allowances set out in Schedule B.

6. **ANNUAL REPORT**

The interest owner shall provide to the Board in writing an annual report that is satisfactory to the Board describing activities undertaken to advance the development of this Licence. The annual report shall be filed each year on or before the anniversary of the issuance of this Licence. Failure to submit an annual report may result in the cancellation of this Licence.

7. **NON-COMPLIANCE**

Failure to comply with any term or condition of this Licence may result in cancellation of this Licence.

8. **INDEMNITY**

- (a) Holders of shares in this Licence shall at all times jointly and severally indemnify the Board and Her Majesty the Queen in right of Canada and in right of the Province of Nova Scotia against:
 - (i) all actions, claims and demands that may be brought or made by any person by reason of anything done or omitted to be done under this Licence by, through or under the interest owner or an interest holder, in relation to those portions of the Lands with respect to which they hold shares; and
 - (ii) all costs that the Board or Her Majesty the Queen may incur in connection with any such action, claim or demand.
- (b) For purposes of this section, the expression "Her Majesty the Queen" shall not include any Crown corporation.
- (c) This section 8 shall survive this Licence and will be included in any Production Licences that may result from this Licence.

9. **LIABILITY**

An interest holder shall be liable under the provisions of this Licence and the Acts, 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 Acts. 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.

10. SUCCESSORS AND ASSIGNS

Subject to paragraph 8 and 9, this Licence enures to the benefit of and is binding on the Board and the interest owner and their respective heirs, administrators, successors and assigns.

11. NOTICE

Any notice to the interest owner or any interest holder required or permitted under the Acts may be given by personal delivery or single registered mail to the representative of the interest owner at the address specified in Schedule A, or such other address as may be designated to the Board by the representative from time to time, and shall be deemed to have been received by the representative at the time of delivery if personally delivered, or on the fifth day after mailing if sent by registered mail.

12. REPRESENTATIVE

Unless otherwise designated in the prescribed manner, the representative of the interest owner for all purposes of Part II of the Legislation shall be as specified in Schedule A.

IN WITNESS WHEREOF the Board has issued this Licence to be effective as of the ____ day of _____, 20____.

CANADA-NOVA SCOTIA OFFSHORE
PETROLEUM BOARD

Chief Executive Officer

SCHEDULE A – SDL

LANDS

INTEREST HOLDERS

SHARE

Grid area ° ' N ° ' W

Sections _____

_____ %

All petroleum substances in all geological formations.

TOTAL AREA: _____ Hectares

REPRESENTATIVE: _____

ADDRESS FOR SERVICE: _____

SCHEDULE B – SDL ALLOWABLE EXPENDITURES

1. The Allowable Expenditures for any given year shall be the total calculated expenditures for that year (i.e. monies actually spent) based upon the following rates:
 - (c) Drilling: At cost.
 - (d) Seismic, Well-Site and Electromagnetic Surveys carried out by a party at arm's length from the interest owner, costs subject to the Board's approval:
 - (iv) 2-D, 3-D and Ocean Bottom Cable seismic acquisition, purchase and processing and interpretation. At cost.
 - (v) Wellsite and seabed survey. At cost.
 - (vi) Resistivity or Controlled Source Electromagnetic (CSEM) surveys or any other survey of this type. At cost.
 - (c) Overhead: 10% of the Allowable Expenditures in paragraph 1(b).
 - (d) Seabed & Other Surveys/Studies:
 - (iii) Environmental field studies when they are required to obtain an authorization for work or activity. At cost.
 - (iv) Any other survey/study at a rate agreed to by the Board prior to the program commencement.
2. (a) Each claim must be accompanied by a cost statement prepared and certified by a third-party auditor satisfactory to the Board.
 - (b) The expense of the third-party auditor is that of the interest owner and will not be included as an Allowable Expenditure.
 - (c) The Board shall approve the Terms of References/Scope of Work in relation to any audit to be performed in accordance with the requirements of this Schedule. The Board reserves the right to conduct its own audit if for any reasons it deems it necessary to do so.
3. Persons are not dealing at arm's length if they are not dealing at arm's length for the purposes of the *Income Tax Act* (Canada): see section 251 of that Act.

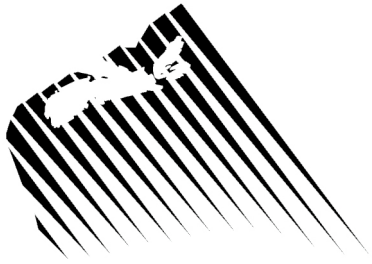
4. The interest owner may submit an application for credit against Rentals in the form and manner required by the Board. The following conditions will apply:
- (a) Applications for credit against Rentals must be received annually by the Board no later than thirty (30) days following the anniversary date of this Licence;
 - (b) Applications for credit against Rentals must be received no later than thirty (30) days following the expiry, surrender or cancellation of the Licence;
 - (c) Failure to submit such applications within the appropriate time referred to above, shall mean that no Allowable Expenditures were incurred for that period.

APPENDIX V

CALL FOR BIDS NO. NS07-1

**INDUSTRIAL BENEFITS AND EMPLOYMENT PLAN GUIDELINES NOVA SCOTIA
OFFSHORE AREA**

INDUSTRIAL BENEFITS INFORMATION BULLETIN



**INDUSTRIAL BENEFITS
AND EMPLOYMENT PLAN GUIDELINES
NOVA SCOTIA OFFSHORE AREA**
January 11, 1994

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 - 8.1 - Consultation
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 - 8.4 - Audits

1.0 INTRODUCTION

This document has been prepared to provide guidance to operators contemplating exploration, development or production activities offshore Nova Scotia in the preparation of the required Canada - Nova Scotia Industrial Benefits and Employment Plan ("Benefits Plan"). **Before the Board may authorize any work or activity to be carried out in the offshore area, or approve any development plan, a Benefits Plan shall be prepared by the operator, submitted to and approved by the Board.**

This document sets forth current Guidelines which have been established and are administered by the Board. They may be revised from time to time. They are not to be construed or interpreted as regulations governing, nor as unique conditions precedent to, Benefits Plan approval. The nature and scope of each proposed activity will be considered by the Board when assessing the information required and monitoring process to be utilized in the Benefits Plan.

Each Benefits Plan shall have as its objectives:

- the employment of Canadians, and in particular, residents of Nova Scotia;
- the participation of Canadian, and in particular, Nova Scotia businesses in the provision of goods and services.

The Benefits Plan shall clearly state its operator's commitments to these objectives.

1.1 Interpretation

In these Guidelines:

- (a) "the Province" means the Province of Nova Scotia;
- (b) "the Acts" means the Canada - Nova Scotia Offshore Petroleum Resources Accord Implementation Act and the Canada - Nova Scotia Offshore Petroleum Resources Implementation (Nova Scotia) Act;
- (c) "the Board" means the Canada - Nova Scotia Offshore Petroleum Board established by joint operation of Section 9 of the Provincial Implementation Act and Section 10 of the Federal Implementation Act;
- (d) "operator" means company, partnership, association or other organization or entity proposing any work or activity, including, but not limited to, an application for an approved development plan in the offshore area;

(e) "offshore area" means the lands and submarine areas described in Section 2 of the Acts;

(f) "resident of Nova Scotia" means:

- i) in the case of an individual, a Canadian (or landed immigrant) who meets the residency requirements of the province as defined by the Nova Scotia Election Act, i.e., has resided in the Province for the immediately preceding six month period prior to project hiring.
- ii) in the case of a corporation, an entity that has an operating office in the province, that is duly registered with the Registry of Joint Stock Companies to conduct business in the Province and that has its controlling shareholders as residents of the Province.

(g) "resident of Canada" means:

- ii) in the case of a person who was born in Canada and who has not relinquished his/her Canadian citizenship; or, a person who has been granted permanent resident status (landed immigrant status).
- ii) in the case of a corporation, an entity that has an operating office in Canada, that is duly registered with appropriate authorities to conduct business in Canada and that has its controlling shareholders as residents of Canada as defined by Section 1.1(g)(i) above.

2.0 CONTACT POINT

All inquiries, correspondence and contact with the Board, concerning Canada - Nova Scotia Benefits Plans, should be directed to:

Manager, Administration & Industrial Benefits
Canada - Nova Scotia Offshore Petroleum Board
1791 Barrington Street
6th Floor, TD Centre
Halifax, Nova Scotia
B3J 3K9
(902) 422-5588
(902) 422-1799

3.0 BENEFITS PLAN OUTLINE

The Benefits Plan for each project will be the subject of discussion between the Board and the operator. However, the following, outlines in general terms, the major elements to be included in a Benefits Plan:

- a sufficiently comprehensive description to provide a broad overview of the work proposed.
- an estimate of the project's demands for goods and services, by phase, for each of the major components in terms of quantities, values, timing and probable sources.
- forecasts of total program expenditures and direct employment created by major component, by region, and by year.
- an assessment of the economic impact of each phase of the project.
- a summary of opportunities associated with the project.
- a description of specific initiatives proposed which are directed to maximizing the benefits accruing to Canada and Nova Scotia. Each activity should be clearly identified, implementation schedules and milestones defined, and methods of measurement of performance and results set forth. The contracting strategy - number, size, scope and schedule - shall be tailored to ensure maximum opportunities for industrial benefits to Canada and Nova Scotia.
- an identification of the nature and number of positions to be initially filled by foreign nationals and an outline of succession plans to effect their replacements by qualified Canadians. Canada Employment and Immigration Commission (CEIC) participation and approval should be included.
- an outline of plans and expenditures that are to be made for research and development, and education and training within the Province.
- the operator shall ensure that its major contractors adopt the industrial benefits obligations of the operator for ensuring full and fair access and maximizing industrial benefits opportunities in all subcontracting activities.

4.0 FUNDAMENTAL PRINCIPLES & STATUTORY REQUIREMENTS

Consistent with the provisions of the Canada - Nova Scotia Accord and the Acts, the operator shall commit in its Benefits Plan, to the principles of providing full and fair

opportunity and first consideration in procurement, employment, research and development to Nova Scotians.

In particular, each Benefits Plan shall address the following statutory requirements and confirm the operator's commitments as to:

4.1 Opportunity

To provide . . . *"manufacturers, consultants, contractors and service companies in the Province and other parts of Canada with a full and fair opportunity to participate on a competitive basis in the supply of goods and services used in any proposed work or activity" . . .*

4.2 Employment

To provide for . . . *"the employment of Canadians, and, in particular, members of the labour force of the Province". . . More specifically . . . "consistent with the Canadian Charter of Rights and Freedoms, individuals resident in the Province be given first consideration for training and employment" . . .*

In addition, provide for . . . *"disadvantaged individuals or groups to have access to training and employment opportunities and" . . . "to participate in the supply of goods and services used in any proposed work or activity" . . .*

4.3 Procurement

. . . *"first consideration is (to be) given to services provided from within the Province and to goods manufactured in the Province where those services and goods are competitive in terms of fair market price, quality and delivery" . . .*

4.4 Education & Training; Research & Development

. . . *"a program be carried out and expenditures be made for the promotion of education and training and of research and development in the Province in relation to petroleum resource activities in the offshore area" . . .*

4.5 Establishment of Office

. . . *"the corporation or other body submitting the plan shall establish in the Province where appropriate levels of decision making are to take place;" . . .*

5.0 POLICIES AND PROCEDURES

The Board will give careful consideration to the operator's policies and procedures respecting employment opportunities and industrial benefits to Nova Scotia and Canada, recognizing the type, nature, size and duration of the project.

The Benefits Plan shall set forth the operator's intentions, plans and programs as to:

5.1 Information

- The provision of project information to the public, which is to be directed to individuals, groups, and communities.
- The timely provision of detailed information on project requirements to Nova Scotia and Canadian suppliers and contractors. Procurement, personnel, bid procedures, evaluation criteria, and debriefing intentions shall be presented.

5.2 Project Management

- The nature and extent to which the management of the project will be undertaken by the operator in Nova Scotia.
- The opportunity for participation by Nova Scotia and Canadian firms in engineering and project management functions.
- The contracting strategy, size of bid packages and specification shall maximize the opportunities for participation by Nova Scotia and Canadian firms.
- The extent to which contractors and suppliers are required to comply with the operator's commitments to Benefits Plan principles, in particular, the requirements for, and the extent to which, Nova Scotia and Canadian participation is to be included in the submissions of non-Canadian bidders.

5.3 Supplier Development

- The ascertaining of Canadian and Nova Scotia supplier capability; the nature and extent of appropriate measures to assess facilities, procedures and personnel, and the indication of new supply opportunities.
- The promotion of supplier and contractor development by encouraging licensing agreements, joint ventures and similar measures to further technology transfer and enhance supplier capability.

Other initiatives to maximize opportunities for Nova Scotia and Canadian suppliers.

5.4 Employment and Training

The Benefits Plan shall be directed to maximizing the opportunities for, and the employment of, Nova Scotians and Canadians. It shall present:

- anticipated manning levels for each sector of the project with specific identification to new job opportunities. It shall indicate levels of Nova Scotia, other Canadian and non-Canadian employment for each sector.
- specific succession plans for the replacement of individuals in positions initially held by non-Canadians.
- the operator's intentions respecting the requirements of Section 45 (3)(c) and 45(4) of the Acts.
- other education and special training initiatives.

5.5 Research and Development

The support of Canadian based offshore-related research and development is fundamental to increasing the level of Canadian participation in future domestic offshore developments. The operator, therefore, shall describe its plans concerning:

- utilization of Nova Scotia and other Canadian firms and institutions to undertake offshore-related research and development; and
- proposed research and development projects, and associated expenditures, to be carried out in the Province pursuant to Section 45 (3)(c) of the Acts.

6.0 PROCUREMENT REQUIREMENTS

The Benefits Plan shall outline the potential opportunities for participation by Nova Scotia and Canadian entities in all aspects of the project.

The operator shall provide a description of its contracting strategy and a list of major contracts and purchase orders with anticipated milestones and dates for all project elements requiring Board approval.

6.1 Construction

The demand for goods and services over the period of construction of the proposed alternative shall be estimated by major components and shall include quantities, values, timing and probable sources for each reviewable procurement. Constraints to Nova Scotia and Canadian participation are to be identified.

6.2 Production

The annual demand for goods and services required to support production operations, for each major cost category associated with the proposed alternative, shall be projected in terms of quantities, values, timing and probable sources.

For each of the major cost categories identified, the operator shall provide an assessment of the ability of Nova Scotia and Canadian industry to participate, taking into account their current competitiveness in the marketplace, and shall identify any constraints to their participation.

7.0 **LABOUR REQUIREMENTS**

The Benefits Plan shall outline the employment potential for participation by Nova Scotians and Canadians in all aspects of the project.

7.1 Construction

The annual demand for labour in person-years, for each major component of the project shall be projected by skill classification in accordance with the Canadian Classification and Dictionary of Occupations (CCDO). These demand estimates shall be identified in terms of Nova Scotia and other Canadian based requirements.

The operator shall provide an assessment of availability of labour from these sources to meet this demand and shall identify special training requirements which might be needed to maximize the Nova Scotia and Canadian labour force participation.

7.2 Production

The annual operating labour requirements in person-years, for the proposed alternative shall be projected by skill classification in accordance with the CCDO. The operator shall provide an assessment of the availability of Nova Scotia and Canadian labour to meet this demand and shall identify any special training requirements which might be needed to maximize Nova Scotia and Canadian labour force participation.

8.0 **CONSULTATION, MONITORING & REPORTING REQUIREMENTS**

This section of the Benefits Plan Guidelines outlines the general requirements for consultation with the Board during the preparation of the Benefits Plan and for monitoring, reporting and verification to the Board for the life of the project.

8.1 Consultation

Operators shall initiate and maintain, timely consultations with the Board during the preparation of the Benefits Plan. In particular, the Board encourages early discussion of operator's procurement strategies and contracting plans to ensure that full and fair opportunities are provided to Nova Scotia and Canadian suppliers.

8.2 Monitoring

Effective monitoring, reporting of procurement decisions and reporting of expenditures and employment levels are necessary to ensure that the principles of the Benefits Plan are being followed and the operator's commitments set forth therein are being met.

Accordingly, the operator shall describe its plans for monitoring and reporting, on a regular basis with respect to the efforts of both itself and its contractors in achieving benefits to Canada in general, and to Nova Scotia in particular.

The Board shall be notified of the operator's intentions regarding prequalification of suppliers/contractors, the development of bidders' lists for procurement purposes, invitations to tender, and of contract awards. The operator must receive prior approval of the Board for all activities directed to the purchases of goods and services for the project and having a value in excess of \$50,000.

8.3 Reporting

Operators are required to submit Benefits Plan reports as follows:

90 Day Reports

For each major component of a project, (eg., a seismic program, a well) a report on activities is required. The report shall be referenced to the anticipated benefits for that component as set forth in the work program, noting any deviations from the original plan.

The report shall be submitted within 90 days of the completion of the work. Relevant information shall include, but not be limited to, commencement and completion dates, expenditure reports by product or service and contract/supplier, equipment utilized, jobs created, work months of employment by category of residence/citizenship, special initiatives if any, and the like. This requirement may be waived by the Board for ongoing projects which require semi-annual and annual reports.

Semi-Annual Reports

A report on employment is required, which report shall pertain only to jobs or people directly associated with the project and shall cover the activities of both the operator and its major contractors and sub-contractors. The report shall include, for each company, the position or title, number of positions, number of work months for Nova Scotians and Canadians, foreign nationals and totals.

A report on Education and Training is required and shall include an identification of each program, its duration, list of participants, expenditures and, if applicable, the effect on the operator's Succession Plan.

A report on Research and Development is required, including a description of each program, its duration, list of participants, and expenditures.

A report is required on procurement activities outlining expenditures by component, quantity, value and source, including the extent and degree of Canadian and Nova Scotia content.

A report on special initiatives undertaken, is required, including a review of progress and results, problems encountered, remedial action taken or planned and future activities. These semi-annual reports shall be submitted to the Board within 30 days of June 30th and December 31st, respectively.

Annual Report

The Board requires that operators engaged in activities in the Nova Scotia offshore area submit an Annual Benefits Report. This report shall provide a summary of the previous year's activities, an update on planned activities, status reports on special initiatives and information to document compliance with regulatory requirements and an achievement report with respect to the past of Canada - Nova Scotia Benefits.

Relevant Annual Report Plan Objectives information shall include, but not necessarily be limited to:

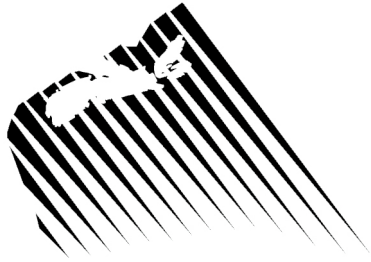
- a description of the work program activities documenting the periods in which they occurred. In similar fashion, an outline of any major modifications to anticipated work activities over the remaining term of the agreement shall be included;
- a presentation of total annual expenditures, categorized by major components;

- provision of an employment summary, reported in work-months, for the operator and all contractors dedicated to the program;
- a description of Research and Development activities, including associated expenditures undertaken by the operator in the Province;
- a discussion of the results of specific activity initiatives undertaken by the operator.

Annual reports shall be prepared on a calendar year basis and shall be submitted to the Board by March 31st of the subsequent calendar year.

8.4 Audits

The operator, joint-operators, contractors and sub-contractors involved in any work or activity carried out in the offshore area shall be subject to periodic industrial benefits audits undertaken by the Board or its designated agents. The purpose of the audits is to verify reporting information received by the Board. The Board's auditors shall have access to, and the right to report on, any information (financial or otherwise) utilized in the preparation of industrial benefits reports.



INDUSTRIAL BENEFITS INFORMATION BULLETIN

*SEISMIC/EXPLORATORY DRILLING BENEFITS PLAN DATABASE REQUIREMENTS
EXPRESSIONS OF INTEREST, PREQUALIFICATION OF
SUPPLIERS/CONTRACTORS, BID LISTS AND INVITATIONS TO TENDER
GENERAL PRINCIPLES, DEFINITIONS AND INTERPRETATIONS REGARDING
BENEFITS PLAN CONTENT CALCULATIONS*

Prepared December 1999

INDUSTRIAL BENEFITS INFORMATION BULLETIN

Before the Canada Nova Scotia Offshore Petroleum Board ("the Board") may authorize any work or activity in the Nova Scotia Offshore area, including seismic and/or exploratory drilling, a Canada-Nova Scotia Industrial Benefits and Employment Plan ("Benefits Plan") must be prepared by the operator and approved by the Board.

In order to provide guidance to operators in preparing the required Benefits Plan, the Board has established *Industrial Benefits and Employment Plan Guidelines*. These Guidelines identify that each Benefits Plan submitted to the Board shall have the following objectives:

- The employment of Canadians and, in particular, residents of Nova Scotia; and
- The participation of Canadian and, in particular, Nova Scotian businesses in the provision of goods and services

This Information Bulletin supplements the *Industrial Benefits and Employment Plan Guidelines* by providing specific information the Board requires of operators when:

1. preparing Benefits Plans relating to seismic and/or exploratory drilling programs,
2. submitting Expressions of Interest, Bid Lists and Notices of Contract Award, and
3. calculating Canada-Nova Scotia content.

With respect to item (3), the General Principles, Definitions and Interpretations which operators should incorporate into their Benefits Plan content calculations are consistent and comply with Generally Accepted Accounting Principles, Canadian General Standards Board definitions and the Board's Guidelines for calculating industrial benefits content.

SEISMIC/EXPLORATORY DRILLING BENEFITS PLAN DATABASE REQUIREMENTS

Database Requirements

- Dollar Value of Employment

Total employment expenditure for the project, broken out into Nova Scotian, Other Canadian and Foreign components. Must be in Canadian dollars.

- Seismic/Professional Crew

Total number of seismic/professional crew on the project, broken out into Nova Scotian, Other Canadian and Foreign components.

- Marine/Rig Crew

Total number of marine/rig crew on the project, broken out into Nova Scotian, Other Canadian and Foreign components.

- Procurement - General Supplies

Itemized project procurement expenditures under a General Supplies category, broken out into Nova Scotian, Other Canadian and Foreign components. Must be in Canadian dollars.

- Procurement - Service and Maintenance

Itemized project procurement expenditures under a Service and Maintenance category, broken out into Nova Scotian, Other Canadian and Foreign components. Must be in Canadian dollars.

- Procurement - Vessel

Itemized project procurement expenditures under a Vessel category, broken out into Nova Scotian, Other Canadian and Foreign components. Fuel acquisition costs should be a separate item. Must be in Canadian dollars.

- Total Project Expenditure

Should agree with the total of the above Employment and Procurement expenditures. Must be in Canadian dollars.

- Include Project R & D Initiatives and Expenditures
- Include Project Training and Technology Transfer Initiatives and Expenditures
- Include Vessel Name and Anticipated Project Start and End Dates

EXPRESSIONS OF INTEREST, PREQUALIFICATION OF SUPPLIERS/CONTRACTORS, BID LISTS AND INVITATIONS TO TENDER

Operators are required to notify the Board of their intentions regarding Expressions of Interest, Prequalification of Suppliers/Contractors, the development of Bid Lists for procurement purposes and Invitations to Tender.

The notices shall include:

- A description of the service/item to be purchased,
- Anticipated dates for award and commencement and completion of work, and
- Estimated value.

The operator must receive prior approval of the Board for all activities related to the purchase of goods and services for a project, and having a value in excess of \$50,000, as identified in the Board's *Industrial Benefits and Employment Plan Guidelines*. The \$50,000 benchmark may be increased at the CEO of the Board's discretion, having regard to the overall project expenditure.

Expressions of Interest, Prequalification of Suppliers/Contractors, Bid Lists and Invitations to Tender must be prepared by the operator in accordance with requirements set out in the Guidelines.

CONTRACT AWARDS

Operators are required to notify the Board of their intentions regarding the awarding of contracts.

The operator must receive prior approval of the Board for contract awards having a value in excess of \$50,000, as identified in the Board's *Industrial Benefits and Employment Plan Guidelines*. The \$50,000 benchmark may be increased at the CEO of the Board's discretion, having regard to the overall project expenditure. The operator must include a review of the analysis of the proposals, justifying the selected contractor.

Notices of Contract Award must be prepared by the operator in accordance with requirements as set out in the Guidelines.

GENERAL PRINCIPLES, DEFINITIONS AND INTERPRETATIONS REGARDING BENEFITS PLAN CONTENT CALCULATIONS

General Principles

Content is calculated on a pre-income tax basis.

For calculating content, use either the principle of "Canadian cost incurred plus Canadian profit" or "selling price less foreign costs". The same principle is applied to "Nova Scotian" and "Foreign" calculations. Reasonableness and materiality should always be considered.

All information should be derived through generally accepted accounting principles (GAAP) and relate back to the contractor's financial statements.

Foreign exchange should be calculated using actual transaction exchange rates as opposed to a fixed rate calculation.

For major suppliers of material, content is fixed only on contract completion. For major contracts, the content information must be updated throughout the life of the contract.

Pre-sanction costs should be reported in benefit content reports.

Contractors must obtain benefit reports from subcontractors, including person hours.

Definitions

Canadian Citizen

A Canadian citizen is a person who was born in Canada and has not relinquished his or her Canadian citizenship; or a person who has been granted Canadian citizenship; or a person who has been granted landed immigrant status.

Canadians who have resided in Nova Scotia should be reported for the first six months of the project as "Other Canadian" and after six months on the project, should be reported as "Nova Scotian". Non-Canadians should always be reported as "Foreign" regardless of the length of time on the project.

Nova Scotia Resident

A Nova Scotia Resident is a Canadian citizen or landed immigrant who meets the residency requirements for voting in a provincial election, as defined in *The Election Act of Nova Scotia*, which states "...a Canadian citizen or landed immigrant who has resided in the province for the immediately preceding six month period...".

Non-Canadian

A non-Canadian is a person who was not born in Canada and who has not been granted landed immigrant status.

Nova Scotian Person Hours

This represents the number of Canadian citizens or landed immigrants who were residents of Nova Scotia times the number of hours in a normal work week, times the number of weeks the person has been employed on the project.

Hours worked on the project by a Nova Scotian who has temporarily relocated outside of Canada or outside of the province while retaining Canadian citizenship, are considered Nova Scotian person hours. Foreign employees working on the project in Nova Scotia would not be classified as Nova Scotian person hours.

Person Year

One person year equals one person working a full year or 2,080 hours. To translate person years into jobs, the number of person years is multiplied by a factor of 1.10 to 1.35, based on the types of activities and the average duration of jobs required to carry them out.

Nova Scotian Company

For a Nova Scotian company, controlling shareholders must be residents of Nova Scotia, it must have an operating office in the province, and it must be registered with the provincial Registry of Joint Stocks.

Other Canadian Company

For an Other Canadian company, controlling shareholders must be residents of Canada, it must have an operating office in Canada, and it must be registered with the appropriate authorities to conduct business in Canada.

Interpretations

Canadian Content

Canadian content is that portion of the cost of a product or service associated with the work performed in Canada by contractors, subcontractors and suppliers. The same interpretation is applied to "Nova Scotian" content or "Foreign" content.

Labour Expenditure Content

Labour expenditure content is based on the location of labour performed and reported in dollars. Expenditures for labour by Foreign citizens, residents of other provinces or Nova Scotians performed in Nova Scotia represent Nova Scotian content. Labour performed in other provinces would be Other Canadian content. Labour performed in other nations would be Foreign content.

The exception is when the labour is performed offshore on a rig or vessel on which the crew lives in isolation. In that case, the content is based on the permanent residency of the laborer, to which he or she will return at the end of the shift.

Labour Employment Content

Labour employment content is based on the residence status and citizenship of the employee and reported in person hours.

Note that Labour Expenditure Content and Labour Employment Content are two separate reporting items.

Temporary Labour Services (i.e. Kelly Office Services, Office Overload, etc.) Content

Temporary labour services should be classified using the location of labour in determining the content of labour expenditures reported, and the residence status for determining content of person hours reported, in the same manner as other project labour is accounted for.

Depreciation Content

The calculation of the content for depreciation of office equipment and computers is based on the point of purchase and where the components are sourced from and manufactured. For example, where a computer is

manufactured or assembled outside of Canada the percent of Foreign content would also apply to depreciation.

Donations Content

Donations should be attributed to the region where they were donated.

Equipment Rental or Purchase Content

Large rentals or purchases of equipment which are usually manufactured elsewhere should be classified 100% Foreign or 100% Other Canadian or some split between the two categories. If sold or rented from an office in Nova Scotia, usually about 15% Nova Scotian content would be appropriate. The supplier or contractor is required to report content.

Food and Catering Content

As a general guideline, the content for food and catering can be broken down as 75% Nova Scotian, 25% Other Canadian and 0% Foreign. There should, however, be supporting evidence in the way of industry statistics or economic models which provide audit evidence. In addition, where food and catering are a high value procurement (\$ Millions), another percentage split may be acceptable if the vendor is supplying an actual benefits split with a reasonable explanation of variance from industry average.

General Consumables (i.e. safety equipment, electrical supplies, valves, fittings, etc.) Content

As a general guideline, the content for general consumables purchased through a Nova Scotian based company can be broken down as 35% Nova Scotian, 35% Other Canadian and 30% Foreign. There should, however, be supporting evidence in the way of industry statistics or economic models which provide audit evidence. In addition, where general consumables are a high value procurement (\$ Millions), another percentage split may be acceptable if the vendor is supplying an actual benefits split with a reasonable explanation of variance from industry average.

Insurance Costs Content

Insurance costs will not likely be 100% Nova Scotian content. There could be a Nova Scotian broker, however, the content has to take into account where the risk is covered, i.e. Lloyd's of London.

Lease/Charter Content

The content of leased premises is determined by the location of the building and the ownership of the lessee. If located in Nova Scotia and leased from a Nova Scotian company, it would be 100% Nova Scotian content. If owned by Other Canadians or Foreigners, then some reasonable portion should be classified as Other Canadian or Foreign, representing the mark up for profit and non-Nova Scotian overhead of a non-Nova Scotian company.

The content for a supply vessel leased or chartered from a Foreign company would have Canadian or Nova Scotian content only with relation to operating costs, the rest would be considered foreign costs. If the vessel was purchased from a foreign source, the value of the depreciation component of cost would be classified as Foreign. If the vessel was leased from a Nova Scotian company and was built in Nova Scotia, this would be calculated as Nova Scotian content.

Materials Content

The content of materials depends on where the materials are sourced from or manufactured. A product or material purchased from a vendor with a Nova Scotian address, could not be 100% Nova Scotian content if the material was not manufactured in the province. Only the mark up and overhead for the Nova Scotian vendor would be Nova Scotian content. The rest would be Foreign or Other Canadian. Vendors are required to report content to proponents, contractors and subcontractors.

Overhead Content

Overhead includes all contractor's indirect expenses such as expenses not directly chargeable to jobs. (Overhead is usually prorated to jobs on some acceptable base. Ensure consistency of application, i.e. equitable among jobs.) Reported Overhead expenditures should be consistent with those reported in the contractor's books of account and financial statements.

For overhead costs charged by a contractor, the content classification is based on where the expense was incurred, rather than the country of incorporation. The content of the portion of overhead representing recovery of head office wages for management, administration or supervision is based on where these employees perform their duties.

Overhead costs incurred by Foreign companies operating in Canada or Nova Scotia and incurring overhead costs at these locations will have some Canadian or Nova Scotian content for overhead costs regardless of country of incorporation or location of head office.

Specific overhead costs for rent, supplies, equipment purchases, etc., should be classified on the same basis as direct costs. When the charge is for an allocated contribution for overhead of a certain office or head office, then the content is based on where the office is located and the costs incurred.

Payment to Governments Content

This does not include HST, GST or income taxes, all of which are not considered for content.

Payment of property taxes, duties, licenses, fees, etc., will be classified as Nova Scotian content for Provincial government and municipalities in Nova Scotia; Canadian content for provincial governments and municipal governments outside of Nova Scotia; Canadian content for payments to the federal government; and Foreign content for payments to non-Canadian governments.

Profit Content

Profit is the actual profit booked by the contractor on the project and is consistent with the contractor's financial statements. Profit has to be reflected as it is earned, not calculated at the end. When calculating the content breakdown on a contract, it is necessary to include profit in the total project expenditure calculation. This can be combined with overhead when submitting reports, so it does not stand alone.

Profit is based on the ownership of the company. Profit earned by a company controlled by Nova Scotians is deemed Nova Scotian content; profit earned by a company controlled by other Canadians is deemed Other Canadian content; profit earned by a company controlled by non-Canadians is deemed Foreign content.

Therefore, if a subcontractor is reporting 100% Nova Scotian content, but is not owned by Nova Scotian residents, there is likely an error, as in that case, there would be Foreign or Other Canadian profit (and overhead) involved. As a guideline, while corporate income taxes are excluded from content calculations, if there is Canadian corporate tax paid, there is Canadian profit content.

The same principles are applied to calculate the profit portion of content in a Joint Venture scenario, i.e. profit content relates back to where controlling shareholders are located and what the joint venture profit-sharing arrangement is. Even if there is an agreement to leave the entire profit in Canada or Nova Scotia to grow the company, eventually it will be allocated and, therefore, the profit content calculation has to reflect that. For example, in a Joint Venture

arrangement between a Foreign company and a Canadian company, where they have agreed to split profit 50-50, the same split must be applied to the profit content.

Overhead in the Joint Venture scenario would be calculated pursuant to "Overhead Content".

Refined Fuels Content

As a general guideline, the content for refined fuels can be broken down as 32% to the refining province, 18% Other Canadian and 50% Foreign. There should, however, be supporting evidence in the way of industry statistics or economic models which provide audit evidence. In addition, where fuel is a high value procurement (\$ Millions), another percentage split may be acceptable if the vendor is supplying an actual benefits split with a reasonable explanation of variance from industry average.

Service Costs Content

The content of service costs is calculated at the location where the expenses are incurred, rather than location of head office. The supplier or subcontractor is required to report content.

Subscriptions, Publications, Fees and Dues Content

The content of these items is attributed 100% to the region or location of the invoice.

Transportation Costs Content

Transportation costs content would be reflected by the ownership and location of the carrier involved. A Nova Scotian company operating from Nova Scotia would be 100% Nova Scotian content. A Canadian company operating from outside Nova Scotia would be 100% Other Canadian content. A Foreign company operating in Nova Scotia would be Nova Scotian content except for mark-up for Foreign profit and overhead.

If an item was purchased in Europe and freighted, content would be 100% Foreign. If the item was purchased in Europe then trucked by a Nova Scotian trucking firm, the trucking costs would be Nova Scotian content, the rest would be Foreign content. If the item was purchased and marked "FOB destination", the distribution trail of materials involved would have to be followed, i.e. if the content breakdown on the materials was 65% Other Canadian and 35% Nova Scotian, then the freight transportation would be the same.

Travel Costs Content

The benefit should be classified based on where the travel cost is incurred.

For example, if the contractor incurs significant airfare in Calgary to fly staff to Nova Scotia and return, this should be classified as "Other Canadian" content. The meals and hotels, etc, would be Nova Scotian content.

Contractor/Subcontractor Expenditure Report Elements

Operator and contractor/subcontractor expenditure reports should contain these elements:

- Profit and overhead are built into content calculations. For the purposes of benefits reporting, they can be bundled together to maintain confidentiality of profit numbers.
- Content achievement should be supported by appropriate documents and records maintained and consistent with the contractor's financial statements.
- Reported person hours worked is supported by contractor records, and determined in accordance with the residency definitions.
- Current and cumulative Nova Scotian, Canadian and Foreign content are detailed.
- Invoice amounts by expenditure category such as "Labour", "Materials", "Services", etc., are included.
- The report includes the contractor's name, invoice numbers, contract number, month, year and contact information for the contractor.
- An officer of the contractor's company must certify on the reports that the reported expenditures by content classification have been recorded in accordance with the criteria set out by the Canadian General Standards Board and the Canada-Nova Scotia Offshore Petroleum Board, generally accepted accounting principles and the regional benefits reference manual (if applicable); are reconciled to the accounting records of the contractor, and have been verified to supporting evidence of content classification.
- The report is signed by an officer of the contractor's company.

APPENDIX VI

CALL FOR BIDS NO. NS07-1

FORM OF PROMISSORY NOTE AND LETTER OF GUARANTEE

**APPENDIX VI
CALL FOR BIDS NO. NS07-1**

PART A - INFORMATION PROMISSORY NOTE

A Promissory Note must:

- be identified as a non-interest bearing demand promissory note;
- be accompanied by a bank letter of guarantee;
- be executed by identified signing officers of the company;
- be dated;
- be payable on demand to the Receiver General;
- be payable at a clearly addressed branch of the bank in Halifax;
- refer to the Call for Bids and parcel number or the relevant licence or any condition therein giving rise to the posting of the security;
- be without an expiry date;
- be explicit as to the amount;
- be countersigned as "Approved for Issue" by an identified signing officer of the bank;
- be on corporate letterhead;
- be addressed to the Board.

**APPENDIX VI
CALL FOR BIDS NO. NS07-1**

PART B -- SAMPLE PROMISSORY NOTE

[Company letterhead
with address]

[Date]

Non-interest Bearing Demand Promissory Note
\$ _____

_____ [name of successful bidder] _____ promises to pay to the Receiver General for
Canada, on demand, the sum of _____ dollars
(\$ _____) if this note is presented at the _____ Branch of _____ [name
of bank] _____ [address] _____ , Halifax, Nova Scotia.

This demand promissory note is issued in accordance with section 8 of Call for Bids No. NS07-1 (Parcel # _____), made by the Canada-Nova Scotia Offshore Petroleum Board on October 4, 2007.

_____ [name of successful bidder] _____
_____ [signature(s) of signing officer(s)] _____
_____ [name(s) and title(s) of signing officer(s)] _____

Approved for issue:

_____ [name of bank] _____
_____ [signature of signing officer] _____
_____ [name and title of signing officer] _____
_____ [bank branch and address] _____

**APPENDIX VI
CALL FOR BIDS NO. NS07-1**

PART C - INFORMATION BANK LETTER OF GUARANTEE

A bank letter of guarantee must:

- be issued by one of the banks as defined in the Bank Act;
- be executed by an identified signing officer of the bank;
- be addressed to the Board;
- refer to the note being a guarantee of the note provided by the company;
- be explicit in agreeing to pay on demand to the Receiver General the sum named in the note;
- be either without an expiry date, or if stated, must not expire earlier than 180 days following expiry of the period for which the security is posted;
- be explicit as to address of the branch where the note may be presented in Halifax;
- contain conditions:
 - requiring the note to be signed by the company;
 - stating the words required in the note to indicate the bank's "Approved for Issue" including the names of persons authorized to sign.

**APPENDIX VI
CALL FOR BIDS NO. NS07-1**

PART D -- SAMPLE BANK LETTER OF GUARANTEE

[Bank letterhead
with address]

[Date]

Canada-Nova Scotia Offshore Petroleum Board
6th Floor, T.D. Centre
1791 Barrington Street
Halifax, Nova Scotia
B3J 3K9

Dear Sirs:

We understand that [name of successful bidder] is depositing with you its non-interest bearing demand promissory note dated _____, in the amount of \$ _____, in accordance with section 8 of your Call for Bids No. NS07-1 (Parcel #____). We hereby issue this letter of guarantee in respect of this note.

[name of Canadian chartered bank] engages to pay to the Receiver General for Canada, on demand, the amount named in this note on the following conditions:

1. The note is executed by [name of successful bidder] and is payable to the Receiver General for Canada;
2. The note is presented during normal banking hours at the _____ Branch of [name of bank], _____ [address], Halifax, Nova Scotia, no later than, March 14, 2015;
3. The note bears the words "Approved for issue" and is countersigned by or on behalf of the Manager, _____ Branch of [name of bank], [address] _____, _____ [city and province]; and
4. The note is endorsed on behalf of the Receiver General for Canada.

[name and address of bank]

[signature of signing officer]

[name and title of signing officer]