

# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## **CALL FOR BIDS NS16-1**

Canada-Nova Scotia Offshore Petroleum Board  
8th Floor, TD Centre  
1791 Barrington Street  
Halifax, Nova Scotia  
B3J 3K9  
Canada

902-422-5588

[www.callforbids.ca](http://www.callforbids.ca)  
[www.cnsopb.ns.ca](http://www.cnsopb.ns.ca)  
[callforbids@cnsopb.ns.ca](mailto:callforbids@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* (“Legislation”) provide 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 Legislation that deal with Canada-Nova Scotia employment and industrial benefits;
- issuance of licences for offshore exploration and development; and
- 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 Legislation.

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 Chair 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](http://www.cnsopb.ns.ca).

## **2.0 CALL FOR BIDS NS16-1**

The Canada-Nova Scotia Offshore Petroleum Board (the "Board") hereby calls for bids for six (6) 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) To be considered, a bid for Parcels 1, 2, or 3 must satisfy the following conditions.

- (i) Bids must be in the form attached as Appendix II, Part A and must be submitted in a sealed envelope marked "CALL FOR BIDS NS16-1 (Parcel # \_)."
- (ii) Bids must be received by the Board before **4:00 p.m. Atlantic Time, October 27, 2016** at the following address:

CALL FOR BIDS NS16-1  
Christine Bonnell-Eisnor  
Director, Regulatory Affairs & Finance  
Secretary of the Board  
Canada-Nova Scotia Offshore Petroleum Board  
8th Floor, TD Centre  
1791 Barrington Street  
Halifax, Nova Scotia  
B3J 3K9

(b) To be considered, a bid for Parcels 4, 5 or 6 must satisfy the following conditions.

- (i) Each Bid must be accompanied by a confirmation of operating experience (Appendix II, Part B) that satisfies the Board that the Bidder, its parent company or an affiliated company has operated, or has been a joint operator, in the drilling of exploration wells in water depths greater than 800 metres in the past ten (10) years.
- (ii) Confirmation of operating experience must be submitted in a sealed envelope marked “CONFIRMATION OF OPERATING EXPERIENCE FOR CALL FOR BIDS NS16-1 - DEEPWATER PARCEL #\_\_”, to be opened prior to considering the Bid.
- (iii) Bids must be in the form attached as Appendix II, Part A and must be submitted in a **separate** sealed envelope marked “CALL FOR BIDS NS16-1 (Parcel #\_)”, to be opened if the confirmation of operating experience satisfies the Board.
- (iv) The Bid will not be considered if the confirmation of operating experience does not satisfy the Board. The Bid will remain sealed and will be returned to the bidder.
- (v) Bids must be received by the Board before **4:00 p.m. Atlantic Time, October 27, 2016** at the following address:

CALL FOR BIDS NS16-1  
Christine Bonnell-Eisnor  
Director, Regulatory Affairs & Finance  
Secretary of the Board  
Canada-Nova Scotia Offshore Petroleum Board  
8th Floor, TD Centre  
1791 Barrington Street  
Halifax, Nova Scotia  
B3J 3K9

#### **2.4 Amendments to Call for Bids**

The Board may amend this Call for Bids at any time up to ten (10) days prior to the closing date of **4:00 p.m. Atlantic Time, October 27, 2016**. Any amendment made to the Call for Bids shall be published on the Call's website ([www.callforbids.ca](http://www.callforbids.ca)). Bidders are advised to refer to the Call's website prior to submitting their bids.

## **2.5 Submission of Written Comments**

The public is provided with the opportunity 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 **60 days after the announcement of the Call for Bids on the CNSOPB website**. Any comments received by the deadline will be made publicly available on the Call for Bids website at [www.callforbids.ca](http://www.callforbids.ca). Written comments should be sent to:

Christine Bonnell-Eisnor  
Director, Regulatory Affairs & Finance  
Secretary of the Board  
Canada-Nova Scotia Offshore Petroleum Board  
8th Floor, TD Centre  
1791 Barrington Street  
Halifax, Nova Scotia  
B3J 3K9  
Fax (902) 422-1799  
[callforbids@cnsopb.ns.ca](mailto:callforbids@cnsopb.ns.ca)

## **2.6 Bid Assessment Criterion**

### **(a) Work Expenditure Bid**

- (i) For the purpose of assessing and selecting a bid, the sole criterion to be used for all parcels will be the total amount of money proposed to be expended on the exploration of the parcel 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) A maximum of 5% of the Work Expenditure Bid may be applied as education & training (E&T) and research & development (R&D) Allowable Expenditures as defined in Schedule B of the Exploration Licence attached as Appendix III.
- (iii) 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.
- (iv) The submission of a Work Expenditure Bid does not obligate the successful bidder to perform the full dollar value of work. However, if work is not performed in the full amount of the Work Expenditure Bid, the unrefunded balance of the Work Deposit will be forfeited to the Receiver General for Canada upon expiry,

surrender or cancellation of Period 1, as more particularly described in the form of Exploration Licence attached as Appendix III.

(b) *Minimum Bid*

The minimum bid that will be considered is \$1,000,000.00 (CAD) of work expenditure.

(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) *Notification to Bidders*

The Board will advise bidders of the outcome of the bids as soon as possible after the closing date of the Call for Bids.

(e) *Tied Bids*

In the event of two or more bids being tied, each bidder involved will be notified of the tie and will have the opportunity to submit a new bid in its proper form within a time frame specified by the Board, which will not be more than 24 hours after being notified.

## **2.7 Deposits**

(a) *Bid Deposit*

- (i) Each Bid must be accompanied by a Bid Deposit in the amount of **\$10,000.00 (CAD)**, in the form of a **certified cheque or bank draft payable to the Receiver General for Canada**.
- (ii) The successful bidder will receive a refund of the Bid Deposit, without interest, if the Work Deposit is posted within the time specified and any outstanding Environmental Studies Research Fund levies are paid as described below.
- (iii) The failure of the successful bidder to post the Work 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 and receipt of the Work Deposit by the successful bidder.
- (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, designated representative, or agent of the bidder.

(b) *Work Deposit*

- (i) The successful bidder will be required to post security for the performance of work. The amount of the required security will be 25% of its Work Expenditure Bid. The successful bidder must post this Work Deposit within 30 days of being notified that its bid was successful, as a condition of issuance of the Exploration Licence.
- (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 a bank draft, money order, certified cheque, promissory note or an irrevocable standby letter of credit payable on demand to the Receiver General for Canada or in the form of cash (Canadian Funds). A 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. A bank draft, money order, certified cheque or irrevocable standby letter of credit must be issued by a bank found in Schedule I or II of the *Bank Act (S.C. 1991, c. 46)*. The form of the promissory note and bank letter of guarantee, or the irrevocable standby letter of credit, must be acceptable to the Board. An acceptable form of a promissory note and bank letter of guarantee and of an irrevocable standby letter of credit, are attached as Appendix V.
- (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.



## **2.8 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.

## **2.9 Environmental Studies Research Fund**

- (a) 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, R.S.C. 1985, c. 36 (2nd Supp.)*, 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.
- (b) ESRF matters are not administered by the Board and are the responsibility of the federal Minister of Natural Resources. ESRF levies are determined by multiplying the number of hectares of land included in the licence by the ESRF rate for the applicable region. Rates are provided on the ESRF website: [www.esrfunds.org](http://www.esrfunds.org).

<b>Parcel #</b>	<b>Hectares Region 12</b>	<b>Hectares Region 14</b>
<b>1</b>	78,156	0
<b>2</b>	93,441	0
<b>3</b>	23,512	0
<b>4</b>	29,525	334,778
<b>5</b>	3,732	253,938
<b>6</b>	622	406,731

## **2.10 Canada-Nova Scotia Benefits Plan**

The Legislation requires that a Canada-Nova Scotia Benefits Plan must be submitted to, and approved by, the Board prior to the approval of any development plan, or the authorization of any other work or activity in the Nova Scotia Offshore Area. Canada-Nova Scotia Benefits Plan Guidelines can be found on the Board's website [www.cnsopb.ns.ca](http://www.cnsopb.ns.ca).

## **2.11 Activity Authorization**

- (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) Before carrying out any work or activity in the offshore area, an operator must first obtain an Operating Licence.
- (c) No activities related to the exploration for, development of, or transportation of petroleum on the Lands can be conducted without a specific authorization issued by the Board. Operators are required to meet certain regulatory requirements before the Board can approve offshore petroleum related activities. The regulatory framework which governs offshore petroleum operations consists of the Legislation, its regulations, and Board guidelines and policies.

## **2.12 Information**

- (a) Geological, geophysical and well information is available with respect to the Lands and the surrounding area on the Call's website at [www.callforbids.ca](http://www.callforbids.ca). Requests for information may also 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:

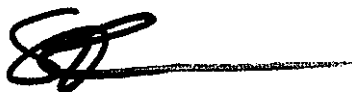
Christine Bonnell-Eisnor  
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callforbids@cnsopb.ns.ca

### **2.13 Non-Compliance**

Except as otherwise expressly stated, 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 31<sup>st</sup> day of March, 2016.

CANADA-NOVA SCOTIA OFFSHORE  
PETROLEUM BOARD



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Stuart Pinks, P.Eng.  
Chief Executive Officer

## APPENDIX I

### CALL FOR BIDS NS16-1 the "LANDS"

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

<b>Grid (NAD 1927)</b>	<b>Hectares (ha)</b>	<b>Sections</b>
43°50'N 59°30'W	33,903	1-50, 53-60, 63-70, 73-80, 83-90, 92-100
44°00'N 59°30'W	28,256	1-18, 21-28, 31-38, 41-47, 51-57, 61-67, 71-77, 81-87, 91-97
44°10'N 59°30'W	371	1
43°50'N 59°15'W	7,452	81-100
44°00'N 59°15'W	7,432	81-100
44°10'N 59°15'W	742	81, 91
<b>Total Hectares</b>	<b>(Approximate)</b>	78,156

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

<b>Grid (NAD 1927)</b>	<b>Hectares (ha)</b>	<b>Sections</b>
43°50'N 59°15'W	29,808	1-80
44°00'N 59°15'W	29,728	1-80
44°10'N 59°15'W	2,968	1, 11, 21, 31, 41, 51, 61, 71
44°00'N 59°00'W	13,930	51-55, 61-66, 71-77, 81-88, 91-100, 56*, 67*, 68*, 78*, 79*, 89*, 90*
43°50'N 59°00'W	16,768	52*, 53*, 54*, 55*, 56*, 57*, 58*, 59*, 60*, 62-100
44°10'N 59°00'W	239	91*
<b>Total Hectares</b>	<b>(Approximate)</b>	93,441

\*Partial Sections bound by the rhumb line drawn from a point 44°13'N, 59°06'W to a point 43°47'N, 58°35'W, then to a point 43°35'N, 58°35'W, then to a point 43°35'N, 59°08'W, then to a point 43°55'N, 59°08'W, then to a point 44°06'N, 59°20'W, and back to the point of origin, designated as the *Gully Marine Protected Area*

**LAND PARCEL NO. 3** – All petroleum substances in all geological formations

<b>Grid (NAD 1927)</b>	<b>Hectares (ha)</b>	<b>Sections</b>
43°40'N 59°45'W	17,914	6-10, 16-20, 26-30, 36-39, 46-49, 56-60, 66-70, 76-80, 86-90, 96-100
43°40'N 60°00'W	5,598	6-10, 16-20, 26-30
<b>Total Hectares</b>	<b>(Approximate)</b>	23,512

**LAND PARCEL NO. 4 – All petroleum substances in all geological formations**

<b>Grid (NAD 1927)</b>	<b>Hectares (ha)</b>	<b>Sections</b>
43°40'N 59°45'W	18,700	1-5, 11-15, 21-25, 31-35, 41-45, 51-55, 61-65, 71-75, 81-85, 91-95
43°40'N 59°30'W	25,785	21-68, 71-77, 81-87, 91-97
43°30'N 59°45'W	37,460	1-100
43°30'N 59°30'W	33,718	1-5, 11-15, 21-100
43°20'N 59°45'W	37,560	1-100
43°20'N 59°30'W	37,560	1-100
43°10'N 59°45'W	37,660	1-100
43°10'N 59°30'W	37,660	1-100
43°00'N 59°45'W	37,760	1-100
43°00'N 59°30'W	37,760	1-100
42°50'N 59°45'W	11,340	8-10, 18-20, 28-30, 38-40, 48-50, 58-60, 68-70, 78-80, 88-90, 98-100
42°50'N 59°30'W	11,340	8-10, 18-20, 28-30, 38-40, 48-50, 58-60, 68-70, 78-80, 88-90, 98-100
<b>Total Hectares</b>	<b>(Approximate)</b>	364,303

**LAND PARCEL NO. 5 – All petroleum substances in all geological formations**

<b>Grid (NAD 1927)</b>	<b>Hectares (ha)</b>	<b>Sections</b>
43°40'N 59°30'W	7,472	1-20
43°40'N 59°15'W	37,360	1-100
43°40'N 59°00'W	7,472	81-100
43°30'N 59°30'W	3,742	6-10, 16-20
43°30'N 59°15'W	37,460	1-100
43°30'N 59°00'W	7,492	81-100
43°20'N 59°15'W	37,560	1-100
43°20'N 59°00'W	13,524	61-68, 71-78, 81-100
43°10'N 59°15'W	37,660	1-100
43°10'N 59°00'W	15,064	61-100
43°00'N 59°15'W	37,760	1-100
43°00'N 59°00'W	15,104	61-100
<b>Total Hectares</b>	<b>(Approximate)</b>	<b>257,670</b>



**LAND PARCEL NO. 6 – All petroleum substances in all geological formations**

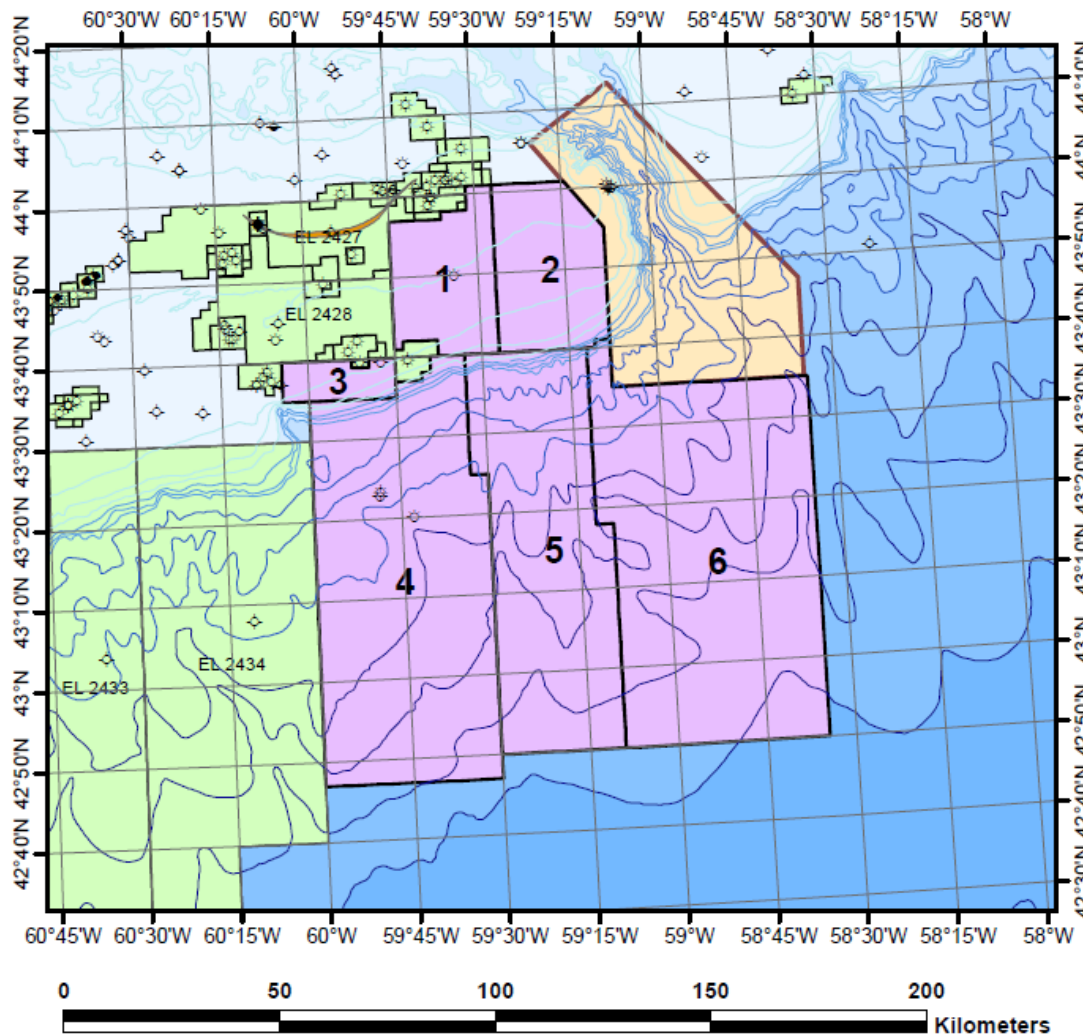
<b>Grid (NAD 1927)</b>	<b>Hectares (ha)</b>	<b>Sections</b>
43°50'N 59°00'W	622	51*, 61
43°40'N 59°00'W	19,937	1-5, 11-15, 21-25, 31-35, 41-45, 51-55, 56*, 57*, 58*, 59*, 60*, 61-80
43°40'N 58°45'W	18,700	1-5, 11-15, 21-25, 31-25, 41-45, 51-55, 61-35, 71-75, 81-85, 91-95
43°40'N 58°30'W	13,090	31-35, 41-45, 51-55, 61-65, 71-75, 81-85, 91-95
43°30'N 59°00'W	29,968	1-80
43°30'N 58°45'W	37,460	1-100
43°30'N 58°30'W	26,222	31-100
43°20'N 59°00'W	24,036	1-60, 69, 70, 79, 80
43°20'N 58°45'W	37,560	1-100
43°20'N 58°30'W	26,292	31-100
43°10'N 59°00'W	22,596	1-60
43°10'N 58°45'W	37,660	1-100
43°10'N 58°30'W	26,362	31-100
43°10'N 59°00'W	22,656	1-60
43°00'N 58°45'W	37,760	1-100
43°00'N 58°30'W	26,432	31-100
<b>Total Hectares (Approximate)</b>	<b>407,353</b>	





\*Partial Sections bounded by the rhumb line drawn from a point 44°13'N, 59°06'W to a point 43°47'N, 58°35'W, then to a point 43°35'N, 58°35'W, then to a point 43°35'N, 59°08'W, then to a point 43°55'N, 59°08'W, then to a point 44°06'N, 59°20'W, and back to the point of origin, designated as the *Gully Marine Protected Area*

# CALL FOR BIDS NS16-1 LAND PARCELS



Canada-Nova Scotia  
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-  Call for Bids NS16-1 Parcels
-  Sable Island
-  The Gully Marine Protected Area
-  Existing Licences

### Water Depth (m)

- |                |                  |
|----------------|------------------|
| #1: ~25 to 180 | #4: ~150 to 3800 |
| #2: ~75 to 400 | #5: ~175 to 3800 |
| #3: ~75 to 400 | #6: ~300 to 4100 |

### Approx. Hectarage

- |               |                |
|---------------|----------------|
| #1: 78,156 ha | #4: 364,303 ha |
| #2: 93,441 ha | #5: 257,670 ha |
| #3: 23,512 ha | #6: 407,353 ha |

**Total Area: 1,224,435 ha**

## **APPENDIX II**

### **CALL FOR BIDS NS16-1**

**Part A: BID RESPONSE FORM**

**Part B: CONFIRMATION OF OPERATING EXPERIENCE**

**PLEASE NOTE: Confirmation of Operating Experience is required for Parcels 4, 5, and 6**

**CALL FOR BIDS NS16-1 - APPENDIX II, PART A: 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 NS16-1 in the amount of:

\$ \_\_\_\_\_ **(\$CAD).**

This Bid is made on behalf of the bidder(s) noted below:

<i><b>Full legal name of bidder(s)</b></i>	<i><b>Mailing address and street address (if different)</b></i>	<i><b>Share (%)</b></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 \$10,000.00 (CAD)** is submitted with this Bid.

**Representative Information:**

Contact Name: \_\_\_\_\_

Contact Title: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Fax Number: \_\_\_\_\_

Email: \_\_\_\_\_

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2016

By: \_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)



**Canada - Nova Scotia Offshore Petroleum Board**

**Appendix II. Part B: Call For Bids NS16-1: Confirmation of Operating Experience Form**

Pursuant to the terms and conditions of the Canada Nova Scotia Offshore Petroleum Board Call for Bids NS16-1, \_\_\_\_\_ (name), as representative of the Bidder hereby confirms that \_\_\_\_\_ (the Bidder, its parent company or an affiliated company has operated or has been a joint operator in the drilling of deepwater exploration wells in water depths greater than 800 metres in the past ten (10) years. Details for each well are provided below.

Well Name	Location	Year Drilled	Water Depth (m)	Total Depth (m MD)

Any Additional Comments: \_\_\_\_\_

**Declaration**

The undersigned representative is an officer, director or other Person employed by the Bidder who has the requisite authority to make this declaration and hereby declares he or she has examined the above noted confirmation of operating experience and list of wells, and that the information given here is, to the best of his or her knowledge, true, accurate and complete; and acknowledges that information submitted may be subject to an audit by the Canada-Nova Scotia Offshore Petroleum Board or a representative of the Canada-Nova Scotia Offshore Petroleum Board.

Signed \_\_\_\_\_ Date: \_\_\_\_\_  
Representative

Print Name: \_\_\_\_\_ Title: \_\_\_\_\_

Address: \_\_\_\_\_ Phone: \_\_\_\_\_

\_\_\_\_\_ Email: \_\_\_\_\_

\_\_\_\_\_

## APPENDIX III

### CALL FOR BIDS NS16-1

#### FORM OF EXPLORATION LICENCE

##### EXPLORATION LICENCE \_\_\_\_\_

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 January 15, 2017.
- (b) Subject to paragraph 3(j) below, the term of this Licence is nine (9) years, consisting of two consecutive periods referred to as Period 1 and Period 2.
- (c) Period 1 is a period of six (6) years commencing on the effective date of this Licence. This period will be extended by one year if:
  - (i) A validating well is commenced prior to the end of the sixth year of Period 1 in accordance with paragraph 3(e) and is still being pursued diligently into the seventh year; or

- (ii) A Drilling Deposit in the amount of \$1,000,000.00 (CAD) is posted with the Board in accordance with section 5 of this Licence before the end of the sixth year of Period 1.
- (d) No extension to Period 1 will be granted if there are unpaid Environmental Studies Research Fund (ESRF) Levies.
- (e) In order to validate this Licence for Period 2, the drilling of a validation 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 expiration of this Licence at the end of Period 1.
- (f) The geological objectives of the validation well are determined by the Interest Owner and declared to the Board prior to the commencement of the well.
- (g) If the drilling of a validation well has been commenced during Period 1 and continues beyond the seventh year of Period 1, Period 1 will be further extended for so long as the drilling of that well is being pursued diligently.
- (h) Period 2 immediately follows Period 1 and consists of the balance of the nine (9) year term of this Licence.
- (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. WORK DEPOSIT**

- (a) As a condition of the issuance of this Licence, the Interest Owner has posted security with the Board for the performance of work in the amount of 25% of its Work Expenditure Bid as set out in Schedule A (the "Work Deposit"). No interest will be paid on the Work Deposit.
- (b) This Work Expenditure Bid is based on the amount of money proposed to be expended on the exploration of the Lands within Period 1 of the term of this Licence, determined in accordance with the Schedule of Allowable Expenditures as defined in Schedule B.



- (c) This Work Deposit is refundable to the extent of 25% of approved Allowable Expenditures, as defined in Schedule B.
- (d) Approved Allowable Expenditures incurred in the first three (3) years of this Licence will be credited at a rate of 150%.
- (e) Allowable Expenditures that are expended in Period 2 shall not be credited against the Work Deposit.
- (f) The Interest Owner is not obligated to perform work in the full dollar value of the Work Expenditure Bid 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.

## **5. DRILLING DEPOSIT**

- (a) An Interest Owner may, at its option, extend Period 1 from six (6) years to seven (7) years if:
  - (i) A validating well is commenced prior to the end of the sixth year of Period 1 in accordance with paragraph 3(e) and is still being pursued diligently into the seventh year; or,
  - (ii) A Drilling Deposit in the amount of \$1,000,000.00 (CAD) is posted with the Board before the end of the sixth year of Period 1.
- (b) The Drilling Deposit 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 validation 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.

## **6. 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:

<b>Year</b>	<b>Amount per Hectare</b>
7	\$2.50 (CAD)
8	\$5.00 (CAD)
9	\$7.50 (CAD)

- (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 annually, in advance, and should be paid by wire deposit, certified cheque, or bank draft payable to the Receiver General for Canada. Failure to pay Rentals within ninety (90) days of notice of default will result in expiry of this Licence.
- (e) When Period 1 is extended beyond the seventh 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 payable in subsequent years of Period 2. Allowable Expenditures incurred in Period 1 after completion of the validation 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 cancellation, surrender or partial surrender of this Licence.

**7. COST RECOVERY**

The Interest Owner shall comply with the Canada-Nova Scotia Offshore Petroleum Cost Recovery Regulations and Cost Recovery Guidelines.

**8. ALLOWABLE EXPENDITURES**

Allowable Expenditures shall be determined in accordance with Schedule B.

## **9. EXPLORATION PLAN**

- (a) The Interest Representative must submit an Exploration Plan within ninety (90) days of the effective date of this Licence outlining the anticipated exploration of the Lands.
- (b) The Interest Representative must provide annual reports updating the Exploration Plan on the first anniversary of this Licence and each anniversary thereafter.

## **10. NON-COMPLIANCE**

Except as otherwise expressly stated, failure to comply with any term or condition of this Licence may result in cancellation of this Licence.

## **11. 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 11 shall survive this Licence and will be included in any Significant Discovery Licences and Production Licences that may result from this Licence.

## **12. 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.

### **13. 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.

### **14. 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.

### **15. CANADA-NOVA SCOTIA BENEFITS PLAN**

The Legislation requires that a Canada-Nova Scotia Benefits Plan must be submitted to, and approved by, the Board prior to the approval of any development plan, or the authorization of any other work or activity in the Nova Scotia Offshore Area. Canada-Nova Scotia Benefits Plan Guidelines can be found on the Board's website [www.cnsopb.ns.ca](http://www.cnsopb.ns.ca).

### **16. ACTIVITY AUTHORIZATION**

- (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) Before carrying out any work or activity in the offshore area, an operator must first obtain an Operating Licence.
- (c) No activities related to the exploration for, development of or transportation of petroleum on the Lands can be conducted without a specific authorization issued by the Board. Operators are required to meet certain regulatory requirements before the Board can approve offshore petroleum related activities. The regulatory framework which governs offshore petroleum operations consists of the Legislation, its regulations, and Board guidelines and policies.

**17. 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.

**18. 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 January, 2017.

CANADA-NOVA SCOTIA OFFSHORE  
PETROLEUM BOARD

---

Chief Executive Officer

**SCHEDULE A – EL**

*LANDS*

*INTEREST HOLDERS*

*SHARE*

Grid area   °   ' N   °   ' W  
Sections

\_\_\_\_\_

\_\_\_\_\_ %

\_\_\_\_\_

All petroleum substances in all geological formations.

TOTAL AREA:	_____ Hectares
WORK EXPENDITURE BID:	\$
WORK DEPOSIT:	\$
REPRESENTATIVE:	
ADDRESS FOR SERVICE:	

**SCHEDULE B – EL**  
**ALLOWABLE EXPENDITURES**

1. The Interest Representative is encouraged to have any expenditure it would like to have considered as an Allowable Expenditure reviewed by the Board, prior to the Interest Owner commencing the work.
  
2. (a) Work shall be carried out by a party at arm's length from the Interest Owner. In the event that costs incurred are non-arm's length from the Interest Owner, the lesser of cost or fair market value as established by an independent third party expert will be considered for Allowable Expenditures.  
  
(b) The definition of "arm's length" is as defined in the *Income Tax Act R.S.C., 1985, c. 1 (5th Supp.)*.  
  
(c) Each claim must be accompanied by a cost statement prepared and certified by a third-party auditor satisfactory to the Board.  
  
(d) Expenses related to the third-party audit referred to in paragraph 2(c) and/or the independent third party expert referred to in paragraph 2(a) are the responsibility of the Interest Owner and shall not be included as an Allowable Expenditure.  
  
(e) 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 reason it deems it necessary to do so.
  
3. The Allowable Expenditures shall be the total calculated expenditures on the Lands (i.e. monies actually spent) based upon the following rates:
  - (a) Drilling: **At cost.**
  
  - (b) Seismic, Well-Site and Electromagnetic Surveys:
    - (i) 2-D, 3-D and Ocean Bottom Cable seismic: **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) Seabed & Other Surveys/Studies:
    - (i) Environmental field studies that are required to obtain an authorization for work or activity: **At cost.**
    - (ii) Other surveys/studies agreed to by the Board: **At an agreed rate.**
  - (d) Education & Training and Research & Development (E&T/R&D): **Maximum of 5% of the Work Expenditure Bid over the course of Period 1.** Allowable Expenditures in this category must be consistent with E&T/R&D eligibility criteria under the Canada-Nova Scotia Benefits Plan Guidelines.
4. The Interest Representative 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 shall apply to such application:
- (a) Applications for credit against the Work Deposit must be received by the Board no later than thirty (30) days following the end of Period 1. 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 this 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 NS16-1**

**FORM OF SIGNIFICANT DISCOVERY LICENCE**

**SIGNIFICANT DISCOVERY LICENCE\_\_\_\_\_**

**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 NS16-1, 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 and obligations attaching to a Significant Discovery Licence pursuant to the Acts, at the time of issuance of the Significant Discovery Licence, 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 NS16-1 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 NS16-1, 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 refundable Rentals after the expiration of the term of the Exploration Licence. Rental rates will be determined by the Board at the time of issuance of the Significant Discovery Licence. Should the Acts not have changed at the time of issuance of the Significant Discovery Licence, the following refundable Rentals would apply:

Year 1 to 5	\$0.00 (CAD) per hectare
Year 6 to 10	\$40.00 (CAD) per hectare
Year 11 to 15	\$100.00 (CAD) per hectare
Year 16 to 20	\$800.00 (CAD) per hectare

The Rentals applicable will be payable in constant (inflation adjusted) 2016 dollars.

Commencing on December 31, 2016, 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 (CAD) will increase by \$100.00 (CAD) for each year beyond year 20, and will be payable in constant (inflation adjusted) 2016 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 wire deposit, bank draft or certified cheque payable to the Receiver General for Canada.
- (e) Rentals are payable annually, in advance, and should be paid by wire deposit, certified cheque, or bank draft payable to the Receiver General for Canada. Failure to pay Rentals within ninety (90) days of notice of default will result in expiry of this Licence.
- (f) 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.
- (g) 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.
- (h) 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.

## **6. ALLOWABLE EXPENDITURES**

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

## **7. 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.

## **8. CANADA-NOVA SCOTIA BENEFITS PLAN**

The Legislation requires that a Canada-Nova Scotia Benefits Plan must be submitted to, and approved by, the Board prior to the approval of any development plan, or the authorization of any other work or activity in the Nova Scotia Offshore Area. Canada-Nova Scotia Benefits Plan Guidelines can be found on the Board's website [www.cnsopb.ns.ca](http://www.cnsopb.ns.ca).

## **9. ACTIVITY AUTHORIZATION**

- (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) Before carrying out any work or activity in the offshore area, an operator must first obtain an Operating Licence.
- (c) No activities related to the exploration for, development of or transportation of petroleum on the Lands can be conducted without a specific authorization issued by the Board. Operators are required to meet certain regulatory requirements before the Board can approve offshore petroleum related activities. The regulatory framework which governs offshore petroleum operations consists of the Legislation, its regulations, and Board guidelines and policies.

## 10. **NON-COMPLIANCE**

Except as otherwise expressly stated, failure to comply with any term or condition of this Licence may result in cancellation of this Licence.

## 11. **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 11 shall survive this Licence and will be included in any Production Licences that may result from this Licence.

## 12. **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.

**13. SUCCESSORS AND ASSIGNS**

Subject to sections 11 and 12, 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.

**14. 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.

**15. 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 Interest Representative is encouraged to have any expenditure it would like to have considered as an Allowable Expenditure reviewed by the Board, prior to the Interest Owner commencing the work.
  
2. (a) Work shall be carried out by a party at arm's length from the Interest Owner. In the event that costs incurred are non-arm's length from the Interest Owner, the lesser of cost or fair market value as established by an independent third party expert will be considered for Allowable Expenditures.  
  
(b) The definition of "arm's length" is as defined in the *Income Tax Act R.S.C., 1985, c. 1 (5th Supp.)*.  
  
(c) Each claim must be accompanied by a cost statement prepared and certified by a third-party auditor satisfactory to the Board.  
  
(d) Expenses related to the third-party audit referred to in paragraph 2(c) and/or the independent third party expert referred to in paragraph 2(a) are the responsibility of the Interest Owner and shall not be included as an Allowable Expenditure.  
  
(e) 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 reason it deems it necessary to do so.
  
3. The Allowable Expenditures for any given year shall be the total calculated expenditures on the Lands for that year (i.e. monies actually spent) based upon the following rates:
  - (a) Drilling: **At cost.**
  
  - (b) Seismic, Well-Site and Electromagnetic Surveys:
    - (i) 2-D, 3-D and Ocean Bottom Cable seismic: **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) Seabed & Other Surveys/Studies:

- (i) Environmental field studies that are required to obtain an authorization for work or activity: **At cost.**
- (ii) Other surveys/studies agreed to by the Board: **At an agreed rate.**

4. The Interest Representative may submit an application for credit against Rentals in the form and manner required by the Board. The following conditions shall apply to such application:

- (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 this Licence; and
- (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 NS16-1**

#### **FORM OF PROMISSORY NOTE**

#### **FORM OF BANK LETTER OF GUARANTEE**

#### **FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT**

**PLEASE NOTE: Pursuant to Paragraph 2.7 (b) (iii) of Call for Bids NS16-1, Work Deposits must be in the form of either:**

- 1. Bank Draft,**
- 2. Money Order,**
- 3. Certified Cheque,**
- 4. Promissory Note and Bank Letter of Guarantee**
- 5. Irrevocable Standby Letter of Credit, or**
- 6. Cash**

**APPENDIX V  
CALL FOR BIDS NS16-1**

**PART A – INFORMATION PROMISSORY NOTE**

A Promissory Note must:

- be dated;
- be identified as a non-interest bearing demand promissory notes;
- be accompanied by a letter of guarantee issued by a Bank;
- be unconditional;
- be on company letterhead;
- be executed by authorized signing officers of a company;
- be payable to the Receiver General for Canada;
- be explicit as to the address of the branch where the promissory note(s) may be presented in Halifax, Nova Scotia;
- refer to the Call for Bids and parcel number or appropriate licence giving rise to the posting of the security;
- be explicit as to the amount;
- be countersigned as approved for issue by an authorized signing officer of the bank;
- be submitted to the CNSOPB, as appropriate;
- not bear an expiry date (although the promissory note(s) may be subject to terms and conditions contained in the bank letter of guarantee which may have an expiry date); and
- not impose restrictions on the manner of endorsement by persons or agencies who may present them for payment on behalf of the Receiver General for Canada.

**APPENDIX V  
CALL FOR BIDS NS16-1**

**PART B – SAMPLE PROMISSORY NOTE**

[Company letterhead  
with address]

[Date]

Non-interest Bearing Demand Promissory Note  
\$ \_\_\_\_\_

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

This demand promissory note is issued in accordance with paragraph 2.7(b) of Call for Bids NS16-1, made by the Canada-Nova Scotia Offshore Petroleum Board on March 31, 2016, in respect of parcel number \_\_\_\_\_.

\_\_\_\_\_ [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 V**  
**CALL FOR BIDS NS16-1**

**PART C — INFORMATION BANK LETTER OF GUARANTEE**

A bank letter of guarantee must:

- be dated;
- be issued by a Bank;
- be on the Bank letterhead;
- be executed by an authorized signing officer of the bank;
- have the beneficiary named as the CNSOPB;
- refer to the promissory note(s) being guaranteed and to the company providing the promissory note(s);
- be explicit in agreeing to pay on demand the sum named in the promissory note(s);
- be either without an expiry date, or if stated, the guarantee must be valid for not less than 180 days following expiry of the period for which the security is posted;
- be explicit as to the address of the branch where the note may be presented in Halifax, Nova Scotia; refer to the Call for Bids and parcel number, appropriate licence, or other conditions , as appropriate, which give rise to the requirement to post Financial Security;
- contain standard conditions such as requiring the promissory note(s) to be signed by the company and wording to indicate the bank's Approval for Issue, including the signature of authorized bank officials (see sample); and
- not be subject to renewal, annual or otherwise, during the period for which the promissory note is posted.

**APPENDIX V  
CALL FOR BIDS NS16-1**

**PART D —SAMPLE BANK LETTER OF GUARANTEE**

[Bank letterhead with address]

[Date]

Canada-Nova Scotia Offshore Petroleum Board  
8th Floor, TD Centre  
1791 Barrington Street  
Halifax, Nova Scotia  
B3J 3K9

Dear Sirs:

It is our understanding that, in accordance with paragraph 2.7(b) of Call for Bids NS16-1 (Parcel #\_\_\_), issued by the Canada Nova Scotia Offshore Petroleum Board, [name of successful bidder] is depositing with you its non-interest bearing demand promissory note in the amount of \$ \_\_\_\_\_ and dated \_\_\_\_\_. We hereby issue this letter of guarantee or credit in respect of the said note.

[name of Bank] engages to pay, on demand, to the Receiver General for Canada, on demand, the amount named in the said 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 said note is presented during normal banking hours at the \_\_\_\_\_ Branch of [name of bank], \_\_\_\_\_ [address], Halifax, Nova Scotia (postal code), no later than, July 13, 2024;
3. The said note bears the words "Approved for issue" and is countersigned by or on behalf of the Manager, \_\_\_\_\_ Branch of [name of bank], \_\_\_\_\_ [address], \_\_\_\_\_ [city, province and postal code].

\_\_\_\_\_ [name and address of bank]

\_\_\_\_\_ [signature of signing officer]

\_\_\_\_\_ [name and title of signing officer]

**APPENDIX V  
CALL FOR BIDS NS16-1**

**PART E — INFORMATION IRREVOCABLE STANDBY LETTER OF CREDIT**

- be dated;
- be issued by a Bank;
- be on the Bank's letterhead;
- be issued in accordance with the International Chamber of Commerce (ICC) International Standby Practices - ISP98;
- state the country of expiration is Canada;
- be executed by an authorized signing officer of the bank;
- have the beneficiary named as the CNSOPB;
- be explicit in agreeing to pay on demand the sum named in the letter;
- be explicit as to the address of the branch where the irrevocable standby letter(s) of credit may be presented (in Halifax, Nova Scotia), or elsewhere as required by the issuing Bank)
- refer to the Call for Bids and parcel number, appropriate licence, or other conditions , as appropriate, which give rise to the requirement to post Financial Security;
- be deemed to be automatically renewed without amendment for one year, unless at least 120 days prior to such date, the beneficiary is notified;
- not have a final expiry that is less than 180 days following expiry of the period for which the security is posted; and
- not impose restrictions on the manner of endorsement by persons or agencies who may present them for payment on behalf of the Receiver General for Canada.

**APPENDIX V  
CALL FOR BIDS NS16-1**

**PART F - SAMPLE FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT**

**NOTE: The Letter of Credit must be issued by a bank found in Schedule I or II of the Bank Act (S.C. 1991, c. 46).**

(DATE OF ISSUE)

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

**BENEFICIARY**

THE CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD  
1791 BARRINGTON STREET,  
8<sup>TH</sup> FLOOR, TD CENTRE  
HALIFAX, NS, B3J 3K9  
ON BEHALF OF THE RECEIVER GENERAL FOR CANADA

**APPLICANT**

(Name & Address)

**AMOUNT \$\_\_\_\_\_CAD.**  
(amount in words)---00/100 Canadian Dollars

**EXPIRY DATE**

[1 year from date of issue] and auto renewal clause included in text below

**PLACE OF EXPIRY**

Canada

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

This Irrevocable Standby Letter of Credit is given in accordance with paragraph 2.7(b) of Call for Bids No. NS16-1 (Parcel #\_\_\_), made by the Canada-Nova Scotia Offshore



Petroleum Board on March 31, 2016 and relates to the terms and conditions in the Exploration Licence dated January 15, 2017, equal in the amount to the sum of this Credit.

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

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

Partial drawings are permitted.

We irrevocably and unconditionally agree to pay you at sight, without protest or notification, or without inquiry into further proof or conditions and without consideration for any objections or protest made by the Customer.

It is understood that the Bank is obligated under this Irrevocable Standby Letter of Credit to the payment of monies only and not the performance of the Exploration Licence.

It is a condition of this Irrevocable Standby Letter of Credit that it **shall be deemed to be automatically renewed** without amendment, for one year from the present or any future expiration date hereof, **unless at least one hundred and twenty (120) days** prior to any such date, we shall notify the Beneficiary in writing at the address noted above, by courier that we elect not to consider this Irrevocable Standby Letter of Credit

renewed for any such additional period. Upon receipt by you of such notice, you may draw by means of your written demand.

Notwithstanding the auto-renewal clause mentioned herein above it is a condition of this Irrevocable Standby Letter of Credit that it shall not be auto-renewed beyond July 13, 2024 (the "Final Expiry Date") and shall expire on the Final Expiry Date.

The rights of all parties and any disputes with respect to this Irrevocable Standby Letter of Credit, shall be governed by the laws of the Province of Nova Scotia and shall be dealt with by the courts within that jurisdiction.

This Irrevocable Standby Letter of Credit is issued subject to the International Standby Practices 1998 (ISP98) (International Chamber of Commerce Publication No. 590).

Payments under this Irrevocable Standby Letter of Credit are to be made payable to the Receiver General for Canada.

\_\_\_\_\_  
*(Authorized Signature)*

Countersigned:

\_\_\_\_\_  
*(Authorized Signature)*