

**PROPOSED 2014-2015 CALL FOR BIDS**

**FOR**

**EXPLORATION LICENCES**

**IN THE**

**MACKENZIE DELTA AND ARCTIC ISLANDS**

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**Proposed 2014-2015 CALL FOR BIDS FOR  
EXPLORATION LICENCES IN THE  
MACKENZIE DELTA AND ARCTIC ISLANDS**

**TERMS AND CONDITIONS**

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The management of onshore oil and gas resources in the Northwest Territories is a territorial responsibility managed by the Government of the Northwest Territories, Department of Industry, Tourism and Investment, Petroleum Resources Division.

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**1. CALL FOR BIDS**

The Minister of Industry, Tourism and Investment hereby calls for the submission of bids for Exploration Licences in respect of (\_\_\_\_\_) parcels comprising the following lands located in the area of the Mackenzie Delta and Arctic Islands:

| <b>PARCEL</b>                   |            |                         |
|---------------------------------|------------|-------------------------|
| (_____) hectares, more or less) |            | Issuance Fee = \$ _____ |
| Latitude*                       | Longitude* | Section(s)              |

\*North American Datum 1927 (NAD27)

*LAND DESCRIPTION AND MAP WILL BE INSERTED  
IN FINAL PACKAGE*

## 2. ACCEPTANCE AND AGREEMENT

*Petroleum Resources Act, subsection 23(1)*

Any submission of a bid in response to a Call for Bids shall be made on the understanding that the terms and conditions as contained herein are accepted and agreed to by the bidder. Such understanding shall include the acceptance of and agreement with the terms and conditions contained within the form of the *Exploration Licence* and with the *Northern Benefits Requirements Associated with New Exploration Programs*.

## 3. SUBMISSION OF BIDS

*Petroleum Resources Act, sections 13 and 14*

Calls for Bids remain open following publication for at least 120 days.

Sealed bids must be delivered, either by registered mail or in person, to the following address prior to **NOON**, Mountain Time on **date to be announced**:

Rights Administration  
Petroleum Resources Division  
Department of Industry, Tourism and Investment  
1<sup>st</sup> Floor, Semmller Building  
64 Mackenzie Road  
Government of the Northwest Territories  
P.O. Box 3019  
INUVIK NT X0E 0T0

Each bid submitted in response to a Call for Bids must be addressed to the Minister of Industry, Tourism and Investment and be in double sealed envelopes bearing no corporate identification. The outer envelope should be clearly marked with the date and Call name, i.e. **2014-2015 Call for Bids for Exploration Licences – Mackenzie Delta and Arctic Islands**. The inner envelope(s) should be clearly marked with the date, Call name and parcel number, i.e. **2014-2015 Call for Bids for Exploration Licences – Mackenzie Delta and Arctic Islands - Parcel No.\_\_\_\_\_**.

Individuals or companies submitting more than one bid may place all bids in a single outer envelope.

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

To be accepted, bids must be accompanied by a financial instrument with respect to the Bid Deposit (see clause 10(a) "Bid Deposit" below).

#### 4. BID SELECTION

##### **(a) SOLE CRITERION**

*Petroleum Resources Act, subsection 14(1)(b)*

Selection of the successful bid will be made on the basis of a single criterion, namely, the total amount of money that the bidder proposes to spend doing exploratory work on each parcel within Period 1 of the term of the Exploration Licence (Work Proposal Bid).

##### **(b) MINIMUM BID**

*Petroleum Resources Act, subsection 13(3)(d)*

Work proposal bids of less than one million dollars for each parcel will not be considered.

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

*Petroleum Resources Act, subsection 14(1)*

For the purpose of issuing an Exploration Licence, the Minister will choose the highest bid in terms of the sole criterion (Work Proposal Bid).

Bids will be accepted only in relation to an entire parcel.

##### **(d) TIED BIDS**

In the event of two or more bids being tied, each bidder will be notified and have the opportunity to submit a new bid by 4 p.m. (MDT) the day following notification.

#### 5. NOTIFICATION OF RESULTS

Bidding results will be made available as soon as possible following the closing of the Call via posting on the Petroleum Resources Division website ([www.nwtpetroleum.com](http://www.nwtpetroleum.com)).

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

## 6. ISSUANCE FEES

*Petroleum Lands Registration Regulations, section 14*

Issuance fees of \$250.00 per grid, or portion thereof, must be submitted with the **Work Deposit** by separate cheque made payable to the “Government of the Northwest Territories”.

## 7. ISSUANCE OF LICENCE

*Petroleum Resources Act, subsections 15(1) & 15(2)*

The Minister is not required to issue an interest as a result of a Call for Bids. The Minister may issue an interest to the successful bidder within six (6) months after the closing date specified in the Call for Bids.

## 8. EXPLORATION LICENCE

*Petroleum Resources Act, subsection 13(3)(a)*

Any Exploration Licence which may result from a Call for Bids will be issued pursuant to the *Petroleum Resources Act*, S.N.W.T 2014 c.15, or legislation made in amendment thereof or in substitution therefor and any regulations made thereunder from time to time. The proposed Exploration Licence for the 2014-2015 Call for Bids for Exploration Licences is attached.

### (a) TERM

*Petroleum Resources Act, section 25*

The term for Exploration Licences issued from the 2014-2015 Call for Bids for Exploration Licences in the Mackenzie Delta and Arctic Islands will be nine (9) years.

For parcels which lie south of latitude 75°N on the call map, the term shall comprise of two (2) consecutive periods of five (5) and four (4) years. Subject to the Licence, Period 2 shall follow Period 1.

For parcels which lie north, or straddle, latitude 75°N on the call map, the term shall comprise of two (2) consecutive periods of seven (7) and two (2) years. Subject to the Licence, Period 2 shall follow Period 1.

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## 9. WORK PROGRAM

*Petroleum Resources Act, subsection 13(3)(c)*

The drilling of one (1) exploratory or delineation well prior to the end of Period 1 of the term is a condition precedent to obtaining tenure to Period 2.

To meet this requirement, such a well must reach a depth sufficient to evaluate a prospective horizon as described in the geological prognosis in the application for Authority to Drill a Well.

Where a well has been commenced and drilling is being pursued diligently, Period 1 shall continue until the well has been completed. Period 2 shall be reduced accordingly.

Failure to meet this requirement on the lands by the end of Period 1 will result in the termination of the Exploration Licence. Consequently, lands revert to the Territory.

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## 10. DEPOSITS

### **(a) BID DEPOSIT**

- (i) Each bid must be accompanied by a Bid Deposit for the specific parcel in the amount of **fifty thousand dollars**, in the form of a certified cheque, money order or bank draft payable to the "Government of the Northwest Territories". Each Bid Deposit must relate to a single parcel.
- (ii) Bid Deposits will be returned to unsuccessful bidders, without interest, following announcement of the winning bidder(s).
- (iii) The Bid Deposit will be returned to the winning bidder, without interest, once the Work Deposit is received by the Rights Administrator.

### **(b) WORK DEPOSIT**

- (i) The successful bidder will be required to post 25 percent (25%) of the work proposal bid as security for the performance of work within 15 working days. This period commences the day following the notice of winning bids being posted on the Petroleum Resources Division website. This deposit will be referred to as the Work Deposit.

- (ii) Failure to post the Work Deposit will result in the forfeiture of the Bid Deposit and disqualification of the bid. In that event, the Minister may, if he sees fit, select the second highest bidder as the winner, without making another Call for Bids.
- (iii) The Work Deposit must be submitted in the form of an irrevocable standby letter of credit, certified cheque or other negotiable financial instrument in a form satisfactory to the Minister. A sample irrevocable standby letter of credit may be obtained from the Rights Administrator.
- (iv) Parties submitting a joint bid may submit separate guarantees representing their proportionate share of the required Work Deposit, within 15 working days. Such period shall commence the day following the notice of winning bids being posted on the Petroleum Resources Division website. The bid representative as designated on the bid submission form will be responsible for collecting and submitting the parties' share of the Work Deposit.
- (v) As expenditures are incurred exploring the Exploration Licence during Period 1 of the term, Work Deposits are refundable in accordance with clause 12 "Allowable Expenditures" below. Since Work Deposits represent 25 percent (25%) of the total amount bid for a parcel, refunds are likewise prorated on the basis of 25 percent (25%) of allowable expenditures incurred. Any Work Deposit balance remaining at the end of Period 1 will be forfeit.
- (vi) Expenditures incurred in Period 2 of the term will not be credited against the Work Deposit but may be credited against Period 2 rentals (see Clause 11 "Rentals" below).

**(c) DRILLING DEPOSIT**

The interest owner may, at its option, in order to meet the work requirement, extend Period 1 for one year by posting a Drilling Deposit before the end of the last year of Period 1. Where Period 1 is extended by the posting of a Drilling Deposit, Period 2 shall be reduced accordingly.

This Drilling Deposit shall be in the amount of one million dollars and is to be in the form of an irrevocable standby letter of credit, certified cheque or other negotiable financial instrument in a form satisfactory to the Minister. A sample letter of credit may be obtained from the Rights Administrator.

If a Drilling Deposit is posted, it will be refunded in full if the licence is validated as required to obtain tenure for Period 2 by the drilling of a well.

If a validation well is not drilled or has not been commenced within the one year extension, the Drilling Deposit will be forfeited to the Government of the Northwest Territories upon the termination of the licence at the end of Period 1. If a well has been commenced and drilling operations are being diligently pursued, Period 1 will continue until the well has been completed.

Allowable expenditures cannot be applied against the Drilling Deposit.

Successive one-year extensions to Period 1 are possible by the posting of further Drilling Deposits of one million dollars prior to the end of the extended period. This means, in effect, that with application for a successive extension, the previous year's Drilling Deposit is forfeit on the anniversary of the licence.

The *Petroleum Resources Act* does not permit the overall term of the Exploration Licence to extend beyond nine years. As a result, any extension to Period 1 will result in an associated reduction to Period 2.

As a result of the extension of Period 1 by the posting of a Drilling Deposit, rentals payable in Period 2 will be applicable at the following rates, for the first year after the extension, at \$5.50 per hectare and all subsequent years at \$8.00 per hectare.

All other rental provisions remain applicable.

## 11. RENTALS

*Petroleum Resources Act, subsection 13(3)(c)*

Rentals are not applicable during Period 1 of the term.

Rentals paid during Period 2 are refundable in accordance with Clause 12 "Allowable Expenditures" below.

Refunds may be made or future rentals may be waived, as the case may be, as expenditures are incurred on the lands subject to the Exploration Licence during Period 2 of the term.

Any rental balance remaining at the end of Period 2 will be forfeit.

In Period 2, rentals will be applicable at the following rates:

|  |           |
|--|-----------|
| 1 <sup>st</sup> year of Period 2                     | \$3.00/ha |
| 2 <sup>nd</sup> year of Period 2                     | \$5.50/ha |
| 3 <sup>rd</sup> and 4 <sup>th</sup> year of Period 2 | \$8.00/ha |

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

When an Exploration Licence continues in force beyond Period 2 due to the drilling of a well deemed to be pursued diligently in accordance with section 26 of the *Petroleum Resources Act*, rentals will be payable at the rate of \$8.00 per hectare. Such rentals will be payable monthly, in advance, at the rate of one twelfth (1/12) of the applicable annual rates.

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

Failure to pay rentals will result in the early termination of the Exploration Licence. Consequently, lands revert to the Territory.

## **12. ALLOWABLE EXPENDITURES**

*Petroleum Resources Act, subsection 13(3)(c)*

Work Deposits and rentals will be offset on the following basis, subject to further clarification by the Rights Administrator.

Costs related to the following classes of exploratory work undertaken as part of a program authorized by the Office of the Regulator for Oil and Gas Operations may be claimed at cost:

**Data acquisition:** by means of reflection seismic surveys or other geophysical, geo-technical or geological surveys, including costs relating to field acquisition and processing, inspection and clean-up.

**Data purchase:** from vendors at arm's length for re-processing and/or interpretation, to the extent that the data assists the evaluation of the specific Licence.

**Drilling operations:** Costs relating to construction of access routes, preparation of drilling sites, transportation to and from well location and staging areas, onsite drilling and evaluation, support vessels, helicopters, site clean-up and restoration. Drilling operations involved in an exploratory or delineation well may entail waiting on weather, logging, well testing and completion. Extended formation flow testing will not be regarded as an allowable expenditure.

**Mobilization and demobilization:** equipment and supplies, and any incurred stand-by charges deemed reasonable by the Rights Administrator.

Notwithstanding the above, the Minister may agree to costs claimed with respect to classes of work or activity, or the use of innovative technology not contemplated by this schedule.

**General and Administrative:** Ten per cent (10%) of the above allowable expenditures to reflect other costs not specifically itemized above, and including program specific consultations, data interpretation, regional office support, management and pre- and post-program costs.

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

The document *Guidance Notes on Claiming Allowable Expenditures* (<http://www.iti.gov.nt.ca/publications/claiming-allowable-expenditures-guidance-notes>) describe the classes and scope of expenditures which may be viewed as allowable under the terms of Exploration Licences issued pursuant to the *Petroleum Resources Act* in areas under the jurisdiction of the Minister of Industry, Tourism and Investment, and are intended to assist interest owners to claim refunds from the Petroleum Resources Division. The Guidance Notes may be amended from time to time.

## **13. ENVIRONMENTAL STUDIES RESEARCH FUND (ESRF) LEVIES**

*Petroleum Resources Act, section 73*

Upon issuance of an Exploration Licence, the interest owner must pay ESRF levies pursuant to section 73 of the *Petroleum Resources Act*. The levies are to be paid for the year in which the Exploration Licence is issued and retroactive levies for the two preceding years (less any levies paid in respect of the same lands for the two preceding years by a previous interest owner). ESRF levies are determined by multiplying the number of hectares of land included in the Exploration Licence by the ESRF rate for the applicable region. Where applicable, the ESRF Administrator will send notices to the representative of the Exploration Licence.

## **14. RELATED REQUIREMENTS**

The exercise of petroleum exploration rights may be subject to specific terms and conditions relating to the environment, and must comply with requirements under land claims and for northern benefits.

**(a) CONDITIONS RELATING TO THE ENVIRONMENT**

Operators wishing to carry out activities as a result of this process will be required to comply with all federal environment requirements defined in the *Inuvialuit Final Agreement* as well as those stemming from the *Canadian Environmental Assessment Act*, the *Oil and Gas Operations Act*, the *Territorial Lands Act*, the *Arctic Waters Pollution Prevention Act*, the *Migratory Birds Convention Act*, the federal *Species at Risk Act*, the *Species at Risk (NWT) Act*, the *Fisheries Act*, the *Canadian Environmental Protection Act*, and other applicable legislation.

The **Petroleum and Environmental Management Tool** ranks the Mackenzie Delta area in terms of relative environmental and socio-economic sensitivity. This information has been identified by Inuvialuit and wildlife specialists and is intended to alert potential nominators that this area may be subject to additional regulatory terms and conditions.

Environment Canada, Canadian Wildlife Service (EC-CWS) manages several Migratory Bird Sanctuaries and has identified a number of Key Migratory Bird Habitat Sites in the Northwest Territories that are essential to the welfare of various migratory bird species in Canada, and also advises on current regulation related to migratory birds and the latest Species at Risk information. Proponents are encouraged to contact the EC-CWS office in Yellowknife at 867-669-4763 for further information on reducing impacts to migratory birds and their habitat.

The entire onshore of the Call area is grizzly bear habitat. The Committee on the Status of Endangered Wildlife in Canada has recommended that grizzly bears be listed as “special concern” under the *Species at Risk Act*. Additional mitigation measures may be required at the activity stage. Other Species at Risk in the Call area include the wolverine and peregrine falcons. Additional mitigation measures may be required at the activity stage for these species.

For more information on wildlife and suggested monitoring and mitigation measures potential operators should contact the Department of Environment and Natural Resources in Inuvik, NT (Manager, Wildlife Management) at 867-678-6670.

**(b) LAND CLAIM REQUIREMENTS**

The successful bidders shall comply with the terms of the *Inuvialuit Final Agreement*. Interested parties are advised to obtain a copy of the agreement(s):

[http://www.daair.gov.nt.ca/\\_live/pages/wpPages/SettledAgreements.aspx](http://www.daair.gov.nt.ca/_live/pages/wpPages/SettledAgreements.aspx) .

**(c) BENEFITS PLAN**

*Petroleum Resources Act, section 20*  
*Oil and Gas Operations Act, section 17*

A Benefits Plan is a statutory requirement under the *Oil and Gas Operations Act*. An operator engaged in the exploration and drilling for and the production and transportation of oil and gas in the Northwest Territories is required to submit a Benefits Plan to the Minister for Industry, Tourism and Investment for approval.

A Benefits Plan represents a documented commitment by an operator to provide employment to Canadians and full and fair opportunity to Canadian businesses. A Benefits Plan should include a detailed description of the proposed project as well as the major components, activities and milestones of the project, supporting maps, tables and figures, expected timeframes and finish date. A Benefits Plan may vary in comprehensiveness and complexity depending on the scale and scope of the proposed oil or gas work or activity. An operator is encouraged to notify and submit a Benefits Plan to the Department well in advance of the anticipated start date of proposed oil and gas work or activity to allow the Department a sufficient period of time for review of the Benefits Plan.

To assist an operator to develop a Benefits Plan, the Department has established the *Benefits Plan Guidelines for the North* ([http://www.iti.gov.nt.ca/sites/default/files/benefits\\_plan\\_guidelines\\_nwt.pdf](http://www.iti.gov.nt.ca/sites/default/files/benefits_plan_guidelines_nwt.pdf)). The guidelines are intended to streamline the administrative process as well as offer greater clarity on what a company should consider during the development of and reporting on a Benefits Plan.

Benefits Plans and Reports for Northwest Territories are to be sent to the Petroleum Resources Division.

Manager, Oil and Gas Planning  
Petroleum Resources Division  
Department of Industry, Tourism and Investment  
P.O. Box 3019  
INUVIK NT X0E 0T0

## **15. CANCELLATION OF RIGHTS**

*Petroleum Resources Act, subsections 94(1) & 94(2)*

Where the Minister has reason to believe that an interest owner or holder is failing or has failed to meet any requirement of or under the *Petroleum Resources Act* or the *Oil and Gas Operations Act* or any regulation made under either Act, the Minister may give notice to that interest owner or holder requiring compliance with the requirement within ninety days after the date of the notice or within such longer period as the Minister considers appropriate.

Notwithstanding anything in the *Petroleum Resources Act*, where an interest owner or holder fails to comply with a notice within the period specified in the notice and the Minister considers that the failure to comply warrants cancellation of the interest of the interest owner or holder or any share in the interest held by the holder with respect to a portion only of the petroleum lands subject to the interest, the Minister may, by order, cancel that interest or share, and where the interest or share is so cancelled, the petroleum lands thereunder become Territorial reserve lands.

## **FURTHER INFORMATION AND CONTACTS**

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

Rights Administration  
Petroleum Resources Division  
Department of Industry, Tourism and Investment  
Government of the Northwest Territories  
P.O. Box 3019  
INUVIK NT X0E 0T0  
Tel: 867-777-7484 Fax: 867-777-5105  
[www.nwtpetroleum.com](http://www.nwtpetroleum.com)

Any geological and well information with respect to the lands or area may be obtained from:

Office of the Regulator for Oil and Gas Operations  
Fifth Floor, Northwestel Tower  
5201 – 50<sup>th</sup> Avenue  
P.O. Box 1320  
YELLOWKNIFE NT X1A 2L9  
[www.oilandgasregulator.iti.gov.nt.ca](http://www.oilandgasregulator.iti.gov.nt.ca)

# Bid Submission Form



This bid is submitted in response to the

(Select one)

Mackenzie Delta/Arctic Islands  
 Central Mackenzie Valley

Call for Bids for Exploration Licences closing on \_\_\_\_\_ with regards to  
(Insert closing date yyyy-mm-dd)

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

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

**NOTE:** Per clause 10(b) and clause 7 of the Call for Bids, the successful bidder will be required to post 25% of the work proposal bid and the issuance fee within 15 working days, this period commences the day following the notice of winning bids being posted on the Petroleum Resources Division website ([www.nwtpetroleum.com](http://www.nwtpetroleum.com)). This deposit will be referred to as the work deposit.

If this bid is successful, please issue the Exploration Licence to:

| Representative → | Company | % |
|------------------|---------|---|
|                  |         |   |
|                  |         |   |
|                  |         |   |

Name of representative for service: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

E-mail: \_\_\_\_\_

If this bid is not accepted, the work deposit should be returned to:

\_\_\_\_\_

By priority post       Other (please specify) \_\_\_\_\_

**I have read the Terms and Conditions of the Call for Bids and have enclosed the Bid Deposit, as indicated above.**

Name & Title

Signature

Date

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

**For more information, please contact:**

Petroleum Resources Division  
Industry Tourism and Investment  
P.O. Box 3019  
INUVIK NT X0E 0T0

**EXPLORATION LICENCE No. ELXXX**

**ISSUED BY THE MINISTER OF  
INDUSTRY, TOURISM AND  
INVESTMENT**  
(hereinafter called the "Minister")

**TO THE INTEREST OWNER [name]**

**WHEREAS** the Minister is empowered pursuant to the Act to issue an Exploration Licence (hereinafter called the "Licence") relating to the Lands;

**AND WHEREAS** the Minister has selected the bid submitted by \_\_\_\_\_ as the winning bid in respect of parcel No. \_\_\_ posted in the \_\_\_\_\_ Call for Bids;

**AND WHEREAS**, in submitting such a bid, \_\_\_\_\_ has agreed to the terms and conditions of this Licence;

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

## **1. INTERPRETATION**

- (a) In this Licence, including all Schedules annexed hereto, unless the context requires otherwise:
  - i. "Act" means the Petroleum Resources Act;
  - ii. "Operations Act" means the Oil and Gas Operations Act;
  - iii. "Lands" means the petroleum lands described in Schedule I or such portion thereof that remains subject to this Licence from time to time;
  - iv. "Period" means a segment or portion of the term described in Schedule III or, if no period is described therein, means the entire term of this Licence;
  - v. "Regulations" means any and all regulations now made or that may be made at any time under the authority of the Act or the Operations Act, and any Acts passed in substitution therefor.
- (b) All words and phrases used in this Licence have the meaning given by the Act, the Operations Act, or the Regulations.
- (c) This Licence is issued under and subject to the Act, the Operations Act, and any Act passed in substitution therefor, the Regulations and the provisions of any other Act of the Northwest Territories and regulations made thereunder that relate to or affect this Licence and the Act. The Regulations and such other Act and other regulations shall be deemed to be incorporated into this Licence as though specifically enumerated herein.
- (d) The following Schedules are attached and made part of this Licence:

Schedule I – Lands

Schedule II – Ownership

Schedule III – Terms and Conditions

Schedule IV – Representative(s) and Addresses for Service

## **2. RIGHTS**

(a) Subject to the Act and the Operations Act, this Licence confers, with respect to the petroleum lands to which this Licence applies,

- i. the right to explore for, and the exclusive right to drill and test for, petroleum;
- ii. the exclusive right to develop those petroleum lands in order to produce petroleum; and
- iii. the exclusive right, subject to compliance with the other provisions of the Act, to obtain a production licence.

(b) This Licence shall be held by the interest holders as to the Lands, in the shares as set forth and described in [Schedule II](#), or as amended from time to time.

(c) The rights under this Licence are subject to the right of any other licence holder to enter on and use the area subject to this Licence to the extent necessary to enable that other licence holder to exercise the rights under that other Licence.

## **3. EFFECTIVE DATE**

The Exploration Licence is effective as of [insert date]

## **4. TERM**

Subject to the Act, the term of this Licence is as set out in [Schedule III](#).

## **5. ANNUAL RENTALS**

- (a) Rentals, if any, shall be levied annually at the rate set forth in [Schedule III](#).
- (b) Rentals, if levied, shall be paid in advance, in respect of the Lands. The payment of rentals may be secured by certified cheque, promissory note, letter of credit or other negotiable financial instrument in a form satisfactory to the Minister.
- (c) Rentals paid shall be refunded annually at the rate set forth in [Schedule III](#).

## **6. NON-COMPLIANCE**

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

## **7. INDEMNITY**

- (a) It is a condition of this Licence that the interest holders shall, in respect of that portion of the Lands to which such interest holder's share relates, at all times, jointly and severally, indemnify and hold harmless the Government of the Northwest Territories, its Ministers, officers, employees, servants, agents and contractors from and against all claims, demands, losses, costs, damages, expenses, actions, causes of action, suits or other proceedings, by whomsoever made, sustained, brought or prosecuted, in any manner based upon, occasioned by, or attributable to anything done by, through or under, or with the consent of the interest owner or interest holders, notwithstanding any agreement or arrangement entered into by an interest owner or interest holders which does or may result in the transfer, assignment or other disposition of the interest or share therein, in the fulfillment of the terms and conditions made herein or in the exercise of the rights or obligations contained herein.
- (b) For greater certainty, interest holders in this Licence who do not hold shares with respect to that portion of the lands in relation to which a claim, demand, loss, cost, damage, action, suit or other proceeding arises are not liable to indemnify the Government of the Northwest Territories under subparagraph 7(a).
- (c) For the purposes of subparagraphs 7(a) and 7(b), "Government of the Northwest Territories" shall not include a Territorial corporation.
- (d) This commitment to indemnify the Government of the Northwest Territories shall survive expiration of this Exploration Licence and will be incorporated into any Significant Discovery Licence and Production Licence that arises therefrom.

## **8. LIABILITY**

- (a) An interest holder shall be liable under the provisions of this Licence, the Act, the Operations Act and the Regulations for all claims, demands, loss, costs, damages, actions, suits or other proceedings in respect of any work or activity conducted, or caused to be conducted, by, through, or under, or with the consent of such interest holder. Any transfer, assignment, or other disposition of the interest, or of a share therein, shall not have the effect of discontinuing such liability in respect of such work or activity, related to the interest, or share therein, so disposed, that was conducted before that transfer, assignment, or other disposition was registered pursuant to the Act and Regulations. For greater certainty, liability, as aforesaid, does not relate to any work or activity conducted after such party ceases to be an interest holder in this Licence.

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(b) The obligations set out in this paragraph shall survive this Exploration Licence and will be incorporated into any Significant Discovery Licence and Production Licence that arises therefrom.

## **9. SUCCESSORS AND ASSIGNS**

Subject to paragraphs 6, 7 and 8, this Licence enures to the benefit of and is binding upon, the Government of the Northwest Territories and the interest owner, their heirs, executors, administrators, successors and assigns.

## **10. NOTICE**

Any notice, communication or statement required under the Act or the Operations Act shall be served on the designated person, on behalf of the Minister or on the interest owner, as the case may be, by personal delivery, or by fax at that address specified in [Schedule IV](#) here of, or such other addresses as may be designated from time to time by the Minister or the interest owner, as the case may be.

## **11. WAIVER AND RELIEF**

Where the Minister is satisfied that the Licence requirements as described under clause 2 of [Schedule III](#) cannot be executed within the time periods or to the extent provided therein, the Minister may, subject to the Act, grant an extension or extensions thereof in writing, provided always that the Minister is also satisfied that the failure to execute the above requirements is for reasons beyond the reasonable control of the interest owner, and that the interest owner continues to diligently pursue a remedy for such situation.

## **12. REPRESENTATIVE**

Unless otherwise designated in the prescribed manner, for the purpose of this Licence the representative or representatives, as the case may be, of the interest owner shall be as specified in [Schedule IV](#).

**13. AGREEMENT**

The issuance of this Licence by the Minister and acceptance thereof by the interest owner constitutes agreement between the interest owner and the Minister as to the terms and conditions contained herein.

**ISSUED** at Inuvik, NT, this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
**WITNESS**

\_\_\_\_\_  
**MINISTER of Industry, Tourism and Investment**



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**SCHEDULE I**  
**LANDS**

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***SAMPLE***

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

\*North American Datum 1927 (NAD27)

(\_\_\_\_\_ hectares, more or less)

SAMPLE

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**SCHEDULE II**  
**OWNERSHIP**

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| Latitude* | Longitude* | Section(s) | Interest Holder(s) | Share % |
|-----------|------------|------------|--------------------|---------|
|-----------|------------|------------|--------------------|---------|

\*North American Datum 1927 (NAD27)

Please note Section 77 of the *Petroleum Resources Act*:

Where an interest holder of an interest or any share in an interest enters into an agreement or arrangement that is or may result in a transfer, assignment or other disposition of the interest or any share in the interest, the interest holder shall give notice of the agreement or arrangement to the Minister, together with a copy of the agreement or arrangement, or if the Minister approves, a summary of its terms and conditions or on the request of the Minister, a copy of the agreement or arrangement.

To comply with this requirement please use Summary Form 15-Notification of an Agreement/Arrangement that is or may result in a Transfer.

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### SCHEDULE III TERMS AND CONDITIONS

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#### **1. TERM**

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

***Mackenzie Delta:***

For those parcels which lie south of latitude 75°N on the call map, the term shall comprise of two (2) consecutive periods of five (5) and four (4) years. Subject to the Licence, Period 2 shall follow Period 1.

***Arctic Islands:***

For those parcels which lie north, or straddle, latitude 75°N on the call map, the term shall comprise of two (2) consecutive periods of seven (7) and two (2) years. Subject to the Licence, Period 2 shall follow Period 1.

#### **2. WORK PROGRAM**

The drilling of one (1) exploratory or delineation well prior to the end of Period 1 of the term is a condition precedent to obtaining tenure to Period 2.

Such a well should reach a depth sufficient to evaluate a prospective horizon as described in the geological prognosis in the application for Authority to Drill a Well.

Where a well has been commenced and drilling is being pursued diligently, Period 1 shall continue until the well has been completed. Period 2 shall be reduced accordingly.

Failure to drill a well on the lands by the end of Period 1 will result in the termination of the Exploration Licence. Consequently, lands revert to the Northwest Territories as Territorial reserve lands. Any remaining Work Deposit will be forfeited.

***Drilling Deposit***

The interest owner may, at its option, in order to meet the work requirement, extend Period 1 for one year by posting a Drilling Deposit before the end of the last year of Period 1. Where Period 1 is extended by the posting of a Drilling Deposit, Period 2 shall be reduced accordingly.

This Drilling Deposit shall be in the amount of one million dollars (\$1,000,000.00) and is to be submitted in the form of an irrevocable standby letter of credit, certified cheque or other negotiable financial instrument in a form satisfactory to the Minister.

If a Drilling Deposit is posted, it will be refunded in full if the licence is validated as required to obtain tenure for Period 2 by the drilling of a well. If a validation well is not drilled or has not been commenced within the one year extension, the Drilling Deposit will be forfeited to the Government of the Northwest Territories upon the termination of the licence at the end of Period 1. If a well has been commenced and drilling operations are being diligently pursued, Period 1 will continue until the well has been completed.

Allowable expenditures cannot be applied against the Drilling Deposit.

For Licences consisting of two consecutive periods of five (5) and four (4) years: as a result of the extension of Period 1 by the posting of a Drilling Deposit, rentals payable in Period 2 will be applicable at the following rates, for the first year after the extension, at \$5.50 per hectare and all subsequent years at \$8.00 per hectare.

For Licences consisting of two consecutive periods of either seven (7) and two (2) years or six (6) and three (3) years: as a result of the extension of Period 1 by the posting of a Drilling Deposit, rentals payable in Period 2 will be applicable at the rate of \$8.00 per hectare.

All other rental provisions remain applicable.

### **3. WORK DEPOSIT**

This Licence is accompanied by a Work Deposit in the amount of twenty-five per cent (25%) of the bid submitted.

Work Deposits are refundable as expenditures are deemed allowable during Period 1 of the term of the Exploration Licence. A credit against the Work Deposit will be made on the basis of twenty-five per cent (25%) of allowable expenditures, referred to hereafter, as they are approved. Any Work Deposit balance remaining at the end of Period 1 will be forfeited.

Expenditures incurred in Period 2 of the term will not be credited against the Work Deposit.

### **4. RENTALS**

Rentals paid during Period 2 are refundable as allowable expenses are incurred during Period 2. There are no rentals payable during Period 1 of the term.

In Period 2, rentals will be applicable at the following rates:

|                                  | Mackenzie Delta | Arctic Islands |
|----------------------------------|-----------------|----------------|
|                                  | 5 & 4 years     | 7 & 2 years    |
| 1 <sup>st</sup> year of Period 2 | \$3.00          | \$8.00         |
| 2 <sup>nd</sup> year of Period 2 | \$5.50          | \$8.00         |
| 3 <sup>rd</sup> year of Period 2 | \$8.00          | N/A            |
| 4 <sup>th</sup> year of Period 2 | \$8.00          | N/A            |

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

When an Exploration Licence continues in force beyond Period 2 due to the drilling of a well deemed to be pursued diligently in accordance with section 26 of the *Petroleum Resources Act*, rentals will be payable at the rate of \$8.00 per hectare. Such rentals will be payable monthly, in advance, at the rate of one twelfth (1/12) of the applicable annual rates.

***Mackenzie Delta/Arctic Islands:***

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

## **5. ALLOWABLE EXPENDITURE<sup>1</sup>**

Work Deposits and rentals will be refunded on the following basis, subject to further clarification by the Rights Administrator.

Costs related to the following classes of exploratory work undertaken as part of a program authorized by the Office of the Regulator for Oil and Gas Operations may be claimed at cost:

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**Data acquisition:** by means of reflection seismic surveys or other geophysical, geo-technical or geological surveys, including costs relating to field acquisition and processing, inspection and clean-up.

**Data purchase:** from vendors at arm's length for re-processing and/or interpretation, to the extent that the data assists the evaluation of the specific licence.

**Drilling operations:** Costs relating to construction of access routes, preparation of drilling sites, transportation to and from well location and staging areas, onsite drilling and evaluation, support vessels, helicopters, site clean-up and restoration. Drilling operations involved in an exploratory or delineation well may entail waiting on weather, logging, well testing and completion. Extended formation flow testing will not be regarded as an allowable expenditure.

**Mobilization and demobilization:** equipment and supplies, and any incurred stand-by charges deemed reasonable by the Rights Administrator.

Notwithstanding the above, the Minister may agree to costs claimed with respect to classes of work or activity, or the use of innovative technology not contemplated by this schedule.

**General and Administrative:** Ten percent (10%) of the above allowable expenditures to reflect other costs not specifically itemized above, and including program specific consultations, data interpretation, regional office support, management and pre- and post-program costs.

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

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<sup>1</sup> Notes:

- (a) Claims should be made by letter from the Representative to the Rights Administrator, Petroleum Resources Division, and contain a statement certified by an officer of the company or a professional engineer, geologist or geophysicist that the information in the statement is true and accurate to the best of their knowledge. The statement should provide a breakdown of actual costs for at cost items and may be subject to post-audit. Claims for drilling operations and related charges should be accompanied by a cost statement prepared and certified by an external auditor satisfactory to the Minister.
- (b) Costs must be incurred by the explorer, and must fairly and reasonably reflect the expense to the explorer of exploratory work.
- (c) Claims are subject to approval by the Minister.
- (d) Approval is subject to confirmation that program reporting requirements have been met to the satisfaction of the Regulator.
- (e) Costs related to exploratory work within Period 1 of the Exploration Licence must be incurred prior to the end of Period 1. Costs related to exploratory work within Period 2 of the licence must be incurred prior to the end of Period 2.
- (f) Costs attributed to exploratory work must be related to the evaluation of the specific licence. Costs which apply to more than one licence or program must be fairly apportioned.
- (g) Guidance Notes on Claiming Allowable Expenditures as published on the Department of Industry, Tourism and Investment website and as amended from time to time are intended to assist the interest owner with a submission for a claim for allowable expenditures.

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

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**Company Name**

Address

(Attention:)

Telephone:

Facsimile:

**Petroleum Resources Division**  
Industry, Tourism and Investment  
Government of the Northwest Territories  
P.O. Box 3019  
INUVIK NT X0E 0T0  
Tel: 867-777-7484; Fax: 867-777-5104  
[www.nwtpetroleum.com](http://www.nwtpetroleum.com)