



CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD

**GUIDELINES ON THE
ISSUANCE OF
EXPLORATION LICENCES**

**APPLIES TO CALL FOR BIDS NS12-1
AND FORWARD**

Revised January 2012

Table of Contents

1. INTRODUCTION	1
1.1 PURPOSE	1
1.2 LEGISLATIVE OR REGULATORY REFERENCE	1
1.3 DEFINITIONS.....	1
2. LICENSING OVERVIEW	4
2.1 CANADIAN PETROLEUM RESOURCES ACT MODEL	4
2.2 LICENCE TYPES.....	5
3. EXPLORATION LICENCE ISSUANCE CYCLE	6
4. LAND NOMINATIONS.....	7
4.1 FORM OF NOMINATIONS	7
5. CALL FOR BIDS	8
5.1 WORK EXPENDITURE BID	9
5.2 BID DEPOSIT	10
5.3 WORK DEPOSIT	10
5.3.1 FORM OF WORK DEPOSITS.....	10
5.4 TYPES OF EXPLORATION LICENCES.....	11
5.4.1 STANDARD TERMS AND CONDITIONS.....	11
5.4.2 ALTERNATIVE TERMS AND CONDITIONS.....	11
5.4.3 PROCESS.....	11
5.5 ESRF	12
6 EXPLORATION LICENCE – TERMS AND CONDITIONS	12
6.1 EXPLORATION PLAN FOR STANDARD TERMS AND CONDITIONS	12
6.2 WORK PLAN FOR ALTERNATIVE TERMS AND CONDITIONS.....	12
6.3 TERM AND DRILLING REQUIREMENT	13
6.4 RENTALS.....	14
6.5 ALLOWABLE EXPENDITURES.....	14
6.6 SUBMISSION OF GEOSCIENCE DATA	16
6.7 ENVIRONMENTAL STUDIES	16
6.8 ACTIVITY AUTHORIZATION.....	16
6.9 BENEFITS PLAN	16
6.10 COST RECOVERY	17
6.11 FINANCIAL RESPONSIBILITY	17
7 NON-COMPLIANCE	17
8 MAILING LIST	17

1. Introduction

1.1 Purpose

These Guidelines are intended to provide an overview of the current policies and procedures of the Canada-Nova Scotia Offshore Petroleum Board (the "Board") with respect to the issuance of Exploration Licences. The making of a Call for Bids and the issuance of an Exploration Licence are "Fundamental Decisions" within the meaning of the legislation, and as such are subject to review by the Minister of Natural Resources Canada and the Minister of the Nova Scotia Department of Energy. The legislation and any regulations made thereunder and the terms and conditions contained in any Interest or Call for Bids will prevail in the event of any inconsistency with the contents of these Guidelines.

1.2 Legislative or Regulatory Reference

- [Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation \(Nova Scotia\) Act \(S.N.S. 1987, c.3\)](#)
- [Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act \(S.C. 1988, c.28\)](#)

For ease of reference, the section numbers cited herein refer to the federal version of the Act.

1.3 Definitions

- 1.3.1 "Accord Acts" means the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act (S.C. 1988, c.28)* and the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation (Nova Scotia) Act (S.N.S. 1987, c.3)*.
- 1.3.2 "Allowable Expenditures" means expenditures, which, if approved by the Board, can reduce the Work Deposit or Rentals of an Exploration Licence.
- 1.3.3 "Alternative Terms and Conditions" means terms and conditions of a Call for Bids and Exploration Licence as described in section 5.4.
- 1.3.4 "Bid Deposit" means the deposit, payable to the Receiver General for Canada, which must accompany each Work Expenditure Bid.
- 1.3.5 The "Board" means the legal entity known as the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) established by the joint operation of the Accord Acts.
- 1.3.6 "Call for Bids" means a Call for Bids made in accordance with Section 61 of the Accord Acts.

- 1.3.7 “Crown Reserve Lands” means portions of the offshore area in respect of which no Interest is in force.
- 1.3.8 “Drilling Deposit” means, pursuant to the Exploration Licence terms and conditions, the deposit an Interest Owner may, at its option, post before the end of the final year of Period 1 in order to extend the expiry of Period 1 by one year or for a time period specified in the Exploration Licence.
- 1.3.9 “Effective Date” means the date specified in the Exploration Licence as the Effective Date.
- 1.3.10 “ESRF” means Environmental Studies Research Funds, a research program administered by Natural Resources Canada, which sponsors environmental and social studies. The purpose of the ESRF is to finance environmental and social studies pertaining to the manner in which and to the terms and conditions under which petroleum exploration, development, and production activities on frontier lands should be conducted. The funding for the ESRF is provided through levies on frontier lands paid by interested holders such as the oil and gas companies.
- 1.3.11 “Exploration Licence” is described in the Accord Acts, and confers, with respect to the portions of the offshore area to which the licence applies: the right to explore for, and the exclusive right to drill and test for, petroleum; the exclusive right to develop those portions of the offshore area in order to produce petroleum; and, the exclusive right to obtain a production licence.
- 1.3.12 “Exploration Plan” means the written document that the Interest Representative submits to the Board describing the scope and detail of exploratory work to be completed. This is a requirement for Exploration Licences with Standard Terms and Conditions.
- 1.3.13 “Fundamental Decision” means a decision made by the Board respecting the exercise of a power or the performance of a duty pursuant to a provision of the Accord Acts that expressly provides for the exercise of the power or the performance of the duty subject to Sections 32 and 37. A Fundamental Decision is subject to review by the Minister of Natural Resources Canada and the Minister of the Nova Scotia Department of Energy.
- 1.3.14 “Holder” or “Interest Holder” means in respect of an Interest or a Share therein, the person indicated, in the register maintained pursuant to Division VIII, as the Holder of the Interest or the Share.
- 1.3.15 “Interest” means any former exploration agreement, former lease, former permit, former special renewal permit, Exploration Licence, Significant Discovery Licence or Production Licence.

- 1.3.16 "Interest Owner" means the Interest Holder who holds an Interest or the group of Interest Holders who hold all of the Shares in an Interest.
- 1.3.17 "Interest Representative" means the Interest Holder who has the authority to act as the representative for all purposes of Part II of the Accord Acts for the other Interest Holders of the Exploration Licence. Communications related to the Exploration Licence, Significant Discovery Licence and Production Licence will be exclusively with such representative.
- 1.3.18 "Licence Deposit" means a refundable fee that is payable at the beginning of the term of the Exploration Licence with Alternative Terms and Conditions.
- 1.3.19 "Period 1" means, a period of six (6) years commencing on the Effective Date of the Exploration Licence.
- 1.3.20 "Period 2" means the period that immediately follows Period 1 and consists of the balance of the term of the Exploration Licence.
- 1.3.21 "Prescribed" means in the case of a form or the information to be given on a form, prescribed by the Board, and in any other case, prescribed by regulations made by the Governor in Council.
- 1.3.22 "Operator" means a person, corporation or other body that has been authorized to carry out any petroleum work or activity in the Nova Scotia Offshore Area. For the purpose of these Guidelines, the term "Operator" also includes those persons, corporations, or other bodies whose intent is to apply for authorization to carry out petroleum work or activities in the Nova Scotia Offshore Area.
- 1.3.23 "Rentals" means the refundable fee that is payable annually, in advance, during Period 2.
- 1.3.24 "Share" means, with respect to an Interest, an undivided share in the Interest or a share in the Interest held in accordance with Section 69 of the Accord Acts.
- 1.3.25 "Standard Terms and Conditions" means terms and conditions of a Call for Bids and Exploration Licence as described in section 5.4.
- 1.3.26 "Work Deposit" means the refundable deposit that equals 25% of the Work Expenditure Bid that is payable in the timeframe specified in the Call for Bids.
- 1.3.27 "Work Expenditure Bid" means the bid on the Exploration Licence which is based solely on the amount of money proposed to be spent on exploration during Period 1 of the Exploration Licence.
- 1.3.28 "Work Plan" means the written document that the Interest Representative must submit to the Board describing the scope and detail of exploratory work to be completed in the first three (3) years of the Exploration Licence, before posting

of the Work Deposit, when required. This is a requirement for Exploration Licences with Alternative Terms and Conditions.

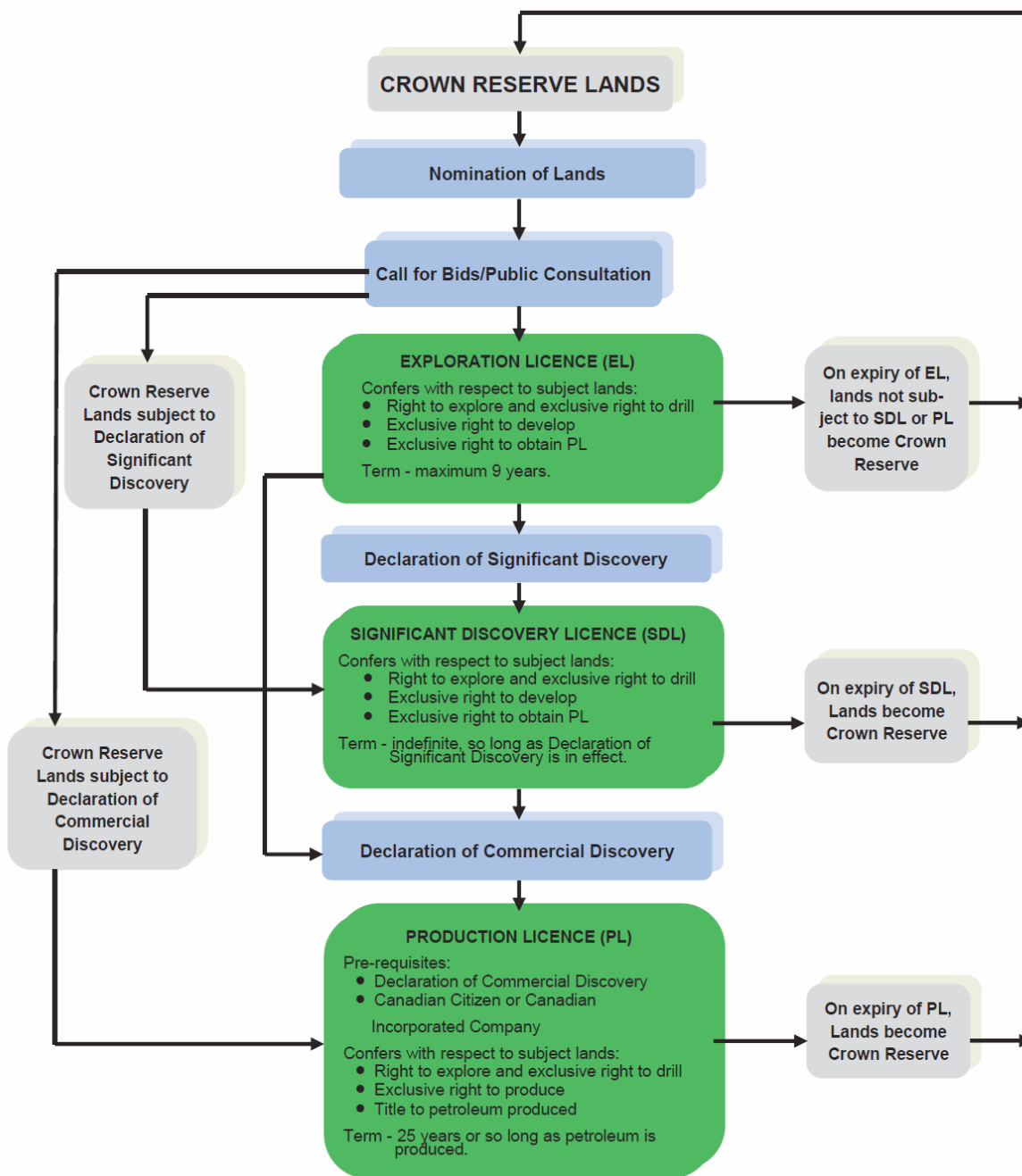
2. Licensing Overview

The Board is responsible for the management and administration of offshore petroleum licences and associated land rights. Through an established Call for Bids process that is open and transparent, the CNSOPB issues exploration rights for approved parcels of Crown Reserve Lands in the form of Exploration Licences.

The making of a Call for Bids and the issuance of an Exploration Licence are "Fundamental Decisions" within the meaning of the legislation, and as such are subject to review by the Minister of Natural Resources Canada and the Minister of the Nova Scotia Department of Energy.

2.1 Canadian Petroleum Resources Act Model

Rights Management in the Nova Scotia offshore area is based on the *Canadian Petroleum Resources Act* model, as illustrated below.



2.2 Licence Types

There are three types of licences: exploration, significant discovery and production.

Exploration Licences (EL) may be issued for specific blocks of Crown Reserve Lands through an established Call for Bids process that is open and transparent. An EL confers the right to explore, the exclusive right to drill and test for petroleum, and to obtain a Production Licence. An Exploration Licence does not guarantee an authorization to work in the offshore area, as an EL holder must subsequently seek Board approval for work activity. Exploration Licences offshore Nova Scotia have a set

term, with a maximum of nine years (under the Accord Acts), divided into Period 1 and Period 2. The specific terms and conditions of the Exploration Licence are included in the Call for Bids.

Significant Discovery Licences may be issued for lands within a declared significant discovery area under the Accord Acts. The term of a Significant Discovery Licence is indefinite. The Significant Discovery Licence was designed to maintain an explorer's rights during the period between first discovery and eventual production.

Production Licences confer the right to produce petroleum in any area which is subject to a declared commercial discovery. In order to be declared a commercial discovery, an operator must demonstrate that the discovery contains reserves that will justify the investment of capital and effort to bring the discovery to production. A Production Licence has a term of 25 years but may be extended if commercial production is continuing or is likely to recommence.

[Joint Guidelines Regarding Applications for Significant or Commercial Discovery Declarations and Amendments \(May 2003\)](#) provide guidance with respect to the process followed in reviewing the merits of significant and commercial discovery applications.

3. Exploration Licence Issuance Cycle

The Board has established an annual cycle for the issuance of Exploration Licences, as noted in the table below:

December 1 st	Close of Land Nominations: December 1 st is the last day to submit nominations for lands to be considered in the next Call for Bids.
Mid-April	Call for Bids Announcement: Call for Bids opens mid-April, subject to Fundamental Decision
Early November	Call for Bids Closes: Bids must be received by the bid deadline specified in the Call for Bids (early November). Successful bids will be selected by the Board, and successful bidders will be notified.
January 15 th	Effective Date of Exploration Licences: Issuance of Exploration Licences to successful bidders on January 15 th , subject to Fundamental Decision.

The Board will establish a rolling three-year forecast for Board posted Calls for Bids lands, which will be updated on an annual basis. This forecast is provided on the CNSOPB website.

4. Land Nominations

Any person may request that the Board make a Call for Bids in relation to particular parcels of Crown Reserve Lands, or lands subject to an existing Interest which are expected to become Crown Reserve Lands. These requests are referred to as land nominations. All land nominations from industry must be received by December 1st for consideration in the next Call for Bids.

Nominations are reviewed at the close of nominations on December 1st. At that time, each nomination received shall be reviewed by Board staff to ensure that the nominated parcel(s):

- (i) are described in the correct format as per the *Land Division Guideline (1990)*;
- (ii) are on Crown Reserve Land;
- (iii) do not divide a geologic prospect; and
- (iv) are not in an area subject to petroleum activities prohibition.

The nominated parcel(s) will be reviewed with respect to environmental considerations.

The nominated parcel(s) will be reconfigured if necessary. The nominating party will be informed of any reconfiguration.

If nominations pass this review, they shall be considered by the Board, along with any associated environmental sensitivities that were identified, for a future Call for Bids.

The Board is not bound to proceed with a Call for Bids in respect of any lands nominated. In addition, the Board has the right to post lands on its own initiative for inclusion in a Call for Bids.

4.1 Form of Nominations

Nominations need not be in any particular form, however, for ease of application, a form is available from the Board and on the Board website (Appendix I). Nominated lands should be described in accordance with the [CNSOPB Land Division Guideline \(1990\)](#). To the extent possible, each nomination should comprise contiguous full sections. A map of lands available for nomination is provided on the CNSOPB website.

Calls for Bids will ordinarily be for parcels no larger than 200 sections in the area of significant discoveries around Sable Island or 800 sections elsewhere. Nominated parcels should therefore be sized accordingly. The size and shape of a parcel which is the subject of a Call for Bids will not necessarily be as originally nominated.

No fee or deposit is required to nominate lands.

For the Board's consideration, the nominations can include the preferred type of Exploration Licence terms and conditions, which are Standard Terms and Conditions or Alternative Terms and Conditions.

Nominations should be submitted before the closing date in sealed envelopes marked "LAND NOMINATION," addressed to:

Canada-Nova Scotia Offshore Petroleum Board
18th Floor, TD Centre
1791 Barrington Street
Halifax, Nova Scotia
B3J 3K9
Attention: Director, Resources and Rights

The identities of persons nominating lands and the contents of the nominations will be kept confidential. Nominations become the property of the Board and will not be returned.

5. Call for Bids

A Call for Bids is a formal announcement by the Board that Exploration Licences, Significant Discovery Licences and/or Production Licences are available to be awarded through a competitive closed bid process. Upon receipt of Ministerial approval of the Board's Fundamental Decision, the Board will initiate a Call for Bids, normally commencing mid-April and closing early November. The land in which the licence is available has either been selected by the Board, and/or through land nomination.

The contents of a Call for Bids will include, as a minimum, those items that are described in Section 61(4) of the Accord Acts.

The Call for Bids specifies:

- (i) the type of interest to be issued (Exploration Licence, Significant Discovery Licence or Production Licence);
- (ii) the terms and conditions of the interest;
- (iii) the form and manner in which the bid is to be submitted;
- (iv) a closing date, and;
- (v) the sole criterion that the Board will apply in assessing bids submitted in response to the Call and the standard practice is to use the highest Work Expenditure Bid (section 5.1).

The Board may require the bidder and/or licence holders to demonstrate, either at the time of bidding, or prior to posting the Work Deposit, that it has the financial capacity to drill a well and is capable of operating in a safe and environmentally responsible manner. This can be done by demonstrating that it meets criteria such as being qualified, experienced and competent, or that it can meet these criteria through its partnerships, corporate affiliations, contractual arrangements etc. This requirement would be in addition to those required to conduct work under Part III of the Accord Acts.

The issuance of a Call for Bids, the Terms and Conditions of the Exploration Licence, as well as the issuance of the Exploration Licence are all separate Fundamental Decisions under the Accord Acts. Therefore, in each case notification is provided to the Minister of Natural Resources Canada and the Minister of the Nova Scotia Department of Energy in accordance with Sections 32 to 37 of the Accord Acts. The Ministers have 30 days to approve, jointly veto or ask for an extension on the decision.

If an Exploration Licence is issued as a result of a Call for Bids, it must be issued to the person who submitted the winning bid, as assessed by the sole criterion. Bids made in response to a Call for Bids must therefore identify the parties making the bid and their participating shares. The Board will publicly announce the identities of the successful bidders and the amount of the winning bid. The identities of unsuccessful bidders and the amounts of their bids will not be disclosed.

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.

The CNSOPB conducts Strategic Environmental Assessments (SEAs), which identify potential environmental issues prior to issuing licences. These potential issues may be addressed through future project-specific environmental assessments, or if the issues are significant, may result in the Board deciding not to accept bids in a particular area. All subsequent projects in an area covered by an SEA, including seismic programs and exploratory drilling, require a project-specific environmental assessment prior to a project being considered for authorization.

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

The form of Exploration Licence is part of the Call for Bids document. The Call for Bids will specify which of the two types of Exploration Licences will be awarded. The two types of Exploration Licence terms and conditions are: Standard or Alternative. For further details refer to section 5.4. Typical Call for Bids and Exploration Licence terms and conditions are provided on the CNSOPB Website. These are subject to change at the time a Call is issued.

5.1 Work Expenditure Bid

The Work Expenditure Bid is based on the amount of money proposed to be spent on exploration of the respective parcel and on research & development and education & training within Period 1 of the Exploration Licence. It must be in the form described in the terms and conditions of the respective Call for Bids. The minimum Work Expenditure Bid will be specified in the Call for Bids.

This Work Expenditure Bid is fully recoverable (without interest) against work expenditure that qualifies as an allowable expenditure. Allowable Expenditures are defined in the Call for Bids package and include expenses related to drilling,

geophysical, geological surveys/studies, other surveys/studies, Research and Development/Education and Training and any other work/studies that may be approved by the CNSOPB. Allowable Expenditures approved in the first three years of the Exploration Licence will be credited at a rate of 150%.

5.2 Bid Deposit

Each bid must be accompanied by a Bid Deposit in the form of a bank draft or certified cheque, generally in the amount of \$10,000, made payable to the Receiver General for Canada. The specific Bid Deposit amount will be described in the Call for Bids.

The successful bidder will receive a refund of the Bid Deposit, without interest, if the Work Deposit (section 5.3) under Standard Terms and Conditions or Licence Deposit (section 5.4.2) under Alternative Terms and Conditions is posted within 30 days of receiving notice that its bid was successful, or within the time specified in the terms and conditions of the Call for Bids and any outstanding Environmental Studies Research Fund (ESRF) levies are paid.

Failure of the successful bidder to post the Work Deposit or Licence Deposit within the specified time will result in forfeiture of the Bid Deposit and disqualification of the bid. 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.

Bid Deposits will be returned to unsuccessful bidders, without interest, following announcement of the winning bid and receipt of the Work Deposit or Licence Deposit by the successful bidder.

5.3 Work Deposit

The successful bidder will be required to post the Work Deposit in the amount of 25% of its Work Expenditure Bid within 30 days of receiving notice that its bid was successful, or within the time specified in the terms and conditions of the Call for Bids, as a condition of issuance of the Exploration Licence. Additional explanation is provided in section 5.4 below.

An Interest Representative may apply to the Board for approval of Allowable Expenditures incurred (section 6.4). The Work Deposit will be refunded to the extent of 25% of approved Allowable Expenditures.

If an Interest Owner does not perform work in the full amount of its Work Expenditure Bid in Period 1, the unrefunded balance of the posted Work Deposit will be forfeited to the Receiver General for Canada upon the expiry, surrender or cancellation of Period 1.

5.3.1 Form of Work Deposits

Work Deposits must be in the form of either cash or a promissory note combined with a bank letter of guarantee, payable on demand to the Receiver General for Canada, that a Canadian chartered bank has agreed to honour on presentment for payment. An

example of acceptable form of promissory note and bank guarantee will be included as part of the Call for Bids documents.

No interest is paid on Work Deposits.

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 Interest Representative appointed by the parties in accordance with Section 56 of the Accord Acts. The failure of any party to submit its share of the Work Deposit will be considered the failure of all parties comprising the Interest Owner.

5.4 Types of Exploration Licences

As determined on a Call by Call basis, the Board may offer Exploration Licences with Standard Terms and Conditions, Alternative Terms and Conditions or the choice of Standard or Alternative Terms and Conditions. Details about these two types of licences are found in the next sections.

5.4.1 Standard Terms and Conditions

Standard Terms and Conditions require that the successful bidder post a Work Deposit in the amount of 25% of its Work Expenditure Bid within 30 days of receiving notice that its bid was successful, or within the time specified in the terms and conditions of the Call for Bids, as a condition of issuance of the Exploration Licence. An Exploration Plan as described in section 6.1 is required for this type of Exploration Licence.

5.4.2 Alternative Terms and Conditions

The Alternative Terms and Conditions may require a lower minimum Work Expenditure Bid, and specify that the Work Deposit be posted by the third anniversary of the Effective Date of the Licence. In those instances, a Licence Deposit (in the amount specified in the Call for Bids) is required within 30 days of the notification of the successful bidder. If the Work Deposit is not posted by the third anniversary of the Effective Date of the Licence, the Licence Deposit will be forfeited and the Licence will expire. As well, a Work Plan, which is described in section 6.2, that is acceptable to the Board and annual updates to the Work Plan are required for the first three years of the Licence. There may be additional terms and conditions such as fees and relinquishments required. Any such requirements would be specified in the relevant Calls for Bids.

5.4.3 Process

The Call for Bids will state which type of Exploration Licence terms and conditions are being offered. The options will be: 1) Standard only 2) Alternative only or 3) choice of Standard or Alternative Terms and Conditions.

The Call for Bids offering a choice of Exploration Licence terms and Conditions would likely include a higher minimum Work Expenditure Bid for bids submitted under the

Standard Terms and Conditions, and potential additional requirements at the deferred date of posting the Work Deposit under the Alternative Terms and Conditions. Bids received under the Alternative Terms and Conditions will only be considered if no bids are received using Standard Terms and Conditions on a particular parcel. The process and conditions would be further described in the specific Call for Bids.

5.5 ESRF

Upon issuance of an Exploration Licence, the Interest Owner must pay Environmental Studies Research Funds (ESRF) levies under Part VII of the *Canada Petroleum Resources Act* 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 payable on all active interests offshore Nova Scotia.

ESRF levies are fixed from time to time by the Minister of Natural Resources Canada and approved by the Board and will be payable unless the Interest Owner surrenders the Exploration Licence prior to the payment due date.

ESRF matters are not administered by the Board, but are the responsibility of the Minister of Natural Resources Canada. 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.

6 Exploration Licence – Terms and Conditions

Exploration Licences are issued pursuant to published Calls for Bids. The specific terms and conditions of the resulting Exploration Licence and subsequent Significant Discovery Licence are included as an appendix to the published Call. Typical terms and conditions of the Exploration Licence are provided on the CNSOPB Website.

6.1 Exploration Plan for Standard Terms and Conditions

The Interest Representative must submit an initial Exploration Plan within 90 days of the Effective Date of the Exploration Licence outlining the anticipated exploration of the Lands for the term of the Exploration Licence.

The Interest Representative must provide annual reports updating the initial Exploration Plan on the first anniversary of the Effective Date of the Exploration Licence and each anniversary thereafter. The Interest Representative is encouraged to provide a presentation to Board staff outlining the exploration of the Lands. A presentation of the Exploration Plan by the Interest Representative may be requested at any time during the term of the EL.

6.2 Work Plan for Alternative Terms and Conditions

The Interest Representative must submit a Work Plan, acceptable to the Board, within 90 days of the Effective Date of the Exploration Licence outlining the anticipated

exploration of the Lands during the first three (3) years of Period 1. Failure to submit an acceptable Work Plan may result in the cancellation of the Exploration Licence.

The Interest Representative must provide annual reports updating the Work Plan on the first anniversary of the Exploration Licence and each anniversary thereafter during the three year period covered by the Work Plan.

If, after reviewing an annual report, the Board is of the opinion that the Interest Owner is not diligently pursuing the Work Plan, or other activities acceptable to the Board, the Board may, after providing 60 days notice to the Interest Representative and providing an opportunity for the Interest Owner to be heard, cancel the Exploration Licence.

6.3 Term and Drilling Requirement

The term of an Exploration Licence is nine (9) years, consisting of two consecutive periods referred to as Period 1 and Period 2. Period 1 is a period of six (6) years, commencing on the Effective Date of the Exploration Licence. This period will be extended if:

- (a) A well is commenced prior to the end of the sixth year of Period 1 and is still being diligently pursued into the seventh year; or,
- (b) A Drilling Deposit is posted in the amount specified in the Exploration Licence before the end of the sixth year of Period 1

No extension to Period 1 will be granted if there are unpaid ESRF levies.

If the drilling of a well has been commenced during Period 1 and continues beyond the seventh year of Period 1, Period 1 will be further extended for as long as the drilling of that well is being pursued diligently.

Period 2 immediately follows Period 1 and consists of the balance of the nine (9) year term of the Exploration Licence.

In order to validate an Exploration Licence for Period 2, the drilling of a well must be commenced within Period 1 and diligently pursued to termination. Failure to fulfill the drilling requirement will result in the expiration of the Exploration Licence at the end of Period 1.

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. The Board will not require the well to be drilled to any predetermined depth or horizon, provided that it adequately tests a valid geological target as declared by the Interest Owner.

There are no work requirements during Period 2, but refundable Rentals are payable during Period 2.

If a well has been commenced before the expiration of the Exploration Licence, the Exploration Licence will continue in force while the drilling of that well is being diligently pursued and for so long thereafter as may be necessary to determine the existence of a significant discovery based on the results of that well.

6.4 Rentals

No Rentals are payable in Period 1.

Refundable Rentals are payable for each year of Period 2 at the rates set out in the Exploration Licence. For greater certainty, Rentals shall be calculated on the basis of the total hectarage of lands held as part of the Exploration Licence, as of the anniversary of the Effective Date of the Exploration Licence.

Rentals are payable annually, in advance, and must be paid by a certified cheque, bank draft or wire deposit payable to the Receiver General for Canada. Failure to pay Rentals within 90 days of notice of default will result in the termination of the Exploration Licence.

When Period 1 is extended due to the drilling of a well beyond the seventh year; the first year of Period 2 will be a partial year ending the day before the next anniversary of the Effective Date of the Exploration Licence. Rentals for the first year of Period 2 shall nevertheless be payable at the full annual rate for the respective year of the Exploration Licence and shall be paid in advance at the commencement of Period 2.

If an Exploration Licence continues in force beyond Period 2, Rentals will be payable at the rates applicable during the last year of Period 2.

Rentals will be refunded, or future Rentals credited, upon annual application to the Board to the extent of approved Allowable Expenditures incurred during Period 2.

Rentals are not refunded as a result of a cancellation, surrender or partial surrender of the Exploration Licence.

Any unrefunded Rentals will be forfeited to the Receiver General for Canada upon the expiry, surrender or cancellation of Period 2.

Subject to the Accord Act and terms and conditions of the Exploration Licence, at any time during the term of the Exploration Licence, the Interest Owner can surrender or partially surrender areas of the Exploration Licence.

6.5 Allowable Expenditures

The Work Deposit and Rentals are refundable to the extent of Allowable Expenditures incurred. Allowable Expenditures are reviewed from time to time and a current schedule of Allowable Expenditures will be published as part of each Exploration Licence and each Call for Bids.

The schedule of Allowable Expenditures published in an Exploration Licence will have application throughout the term of the Exploration Licence.

The Interest Representative is encouraged to have any expenditure it would like to have considered as an Allowable Expenditure reviewed by the Director, Resources and Rights, prior to the Interest Owner commencing the work.

A claim for Allowable Expenditures must be made by the Interest Representative. Failure to submit such Allowable Expenditure applications against the Work Deposit or Rentals within the appropriate time shall be interpreted to mean that no Allowable Expenditures were incurred.

Normally, application for credit against the Work Deposit must be received within the specified timeframe in the Exploration Licence following:

- (i) the expiration of Period 1 for consideration of expenditures incurred in Period 1; or
- (ii) the surrender or cancellation of the Exploration Licence during Period 1 for consideration of expenditures incurred in the time frame from the most recent the anniversary of the Effective Date of the Exploration Licence to the date of surrender or cancellation.

Application for credit against Rentals must be received within the specified timeframe in the Exploration Licence following:

- (i) the anniversary of the Effective Date of the Exploration Licence for consideration of expenditures incurred during the previous year;
- (ii) the expiration of Period 2 for consideration of expenditures incurred in the final year of the Exploration Licence; or
- (iii) the surrender or cancellation of the Exploration Licence during Period 2 for consideration of expenditures incurred in the time frame from the most recent anniversary of the Effective Date of the Exploration Licence to the date of surrender or cancellation.

To obtain credit against the Work Deposit or Rentals, an application for Allowable Expenditure credit for a given work program must be accompanied by a cost statement prepared and certified by a third-party auditor deemed satisfactory by the Board.

An audit may be conducted at any time by the Board to review an Allowable Expenditure application and the Interest Owner's supporting documentation.

Approved Allowable Expenditures incurred in Period 1 after the completion of the first well may be carried forward into Period 2 to offset future Rentals, to the extent that they have not been taken into account in refunding all or part of the Work Deposit.

Approved Allowable Expenditures incurred in a particular year of Period 2 that are in excess of what is required to reduce Rentals to zero in that year may be carried forward for the purpose of reducing Rentals paid in subsequent years of Period 2.

Credit will not be granted for any Allowable Expenditures with outstanding reporting requirements. For geophysical Allowable Expenditures, there are reporting requirements pursuant to the Sections 25(5) and 25(6) of the [Nova Scotia Offshore Area Petroleum Geophysical Operations Regulations](#).

6.6 Submission of Geoscience Data

Upon expiry, surrender or cancellation of the Exploration Licence, the Interest Owner shall, if it has not already done so, immediately submit to the Board all geoscience data acquired with respect to the Exploration Licence. This data will be subject to disclosure in accordance with the Accord Acts and the Board's Data Disclosure Policy.

6.7 Environmental Studies

In accordance with the Accord Acts, prior to the authorization of any petroleum related activities on the Exploration Licence 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.

6.8 Activity Authorization

Before carrying out any work or activity in the offshore area, an Operator must first obtain an Operating Licence.

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 Accord Acts, its regulations, and Board guidelines and policies.

6.9 Benefits Plan

The Accord Acts establish the statutory requirement 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.

6.10 Cost Recovery

The interest owner shall comply with the [CNSOPB Cost Recovery Guidelines](#), provided on the CNSOPB website, as amended from time to time, unless and until cost recovery regulations are promulgated by the governments.

6.11 Financial Responsibility

Under the Canada-Nova Scotia Offshore Petroleum Resources Accord, any person wishing to conduct any work or activity in the Nova Scotia offshore area, must first provide proof of financial responsibility in a form and an amount satisfactory to the CNSOPB. Refer to the [Guidelines Respecting Financial Responsibility Requirements for Work or Activity in the Newfoundland and Nova Scotia Offshore Areas](#) for further details.

7 Non-Compliance

Failure to comply with any term or conditions of the Call for Bids or the Exploration Licence may result in the termination of that Licence.

8 Mailing List

Upon request the Board will add any person to the mailing list to receive notices of Calls for Bids.

Notices of Calls for Bids will also be published in the Canada Gazette and the Royal Gazette (Nova Scotia) and such other newspapers and publications as the Board may deem appropriate.

Inquiries regarding the subject of these Guidelines may be directed to the Director, Resources and Rights.

Canada-Nova Scotia Offshore Petroleum Board
18th Floor, TD Centre
1791 Barrington Street
Halifax, Nova Scotia
B3J 3K9
Phone: (902) 422-5588
Fax: (902) 422-1799
callforbids@cnsopb.ns.ca

Appendix I: Land Nomination Form

CNSOPB



CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD

LAND NOMINATION FORM

Name of Individual of Company:

Phone Number: _____

Email Address: _____

Nominates the following lands for consideration for the next Call for Bids.

Signature: _____

Date: _____

Print Name and Title: _____

Preferred type of Terms and Conditions: **Standard:** ____ **Alternative:** ____

Latitude	Longitude	Sections	# of Sections

Nominations must follow the [Land Division Guidelines](#)