

Offshore Oil and Gas Exploration in the Labrador Offshore Area



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**Northern Lights Conference 2012
Ottawa, Ontario**

Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB)

- Established in 1985 under Atlantic Accord legislation as a joint federal/provincial regulatory agency for the offshore oil and gas industry
- Pillars:
 - Safety
 - Environment
 - Resources (including Land Rights)
 - Industrial Benefits

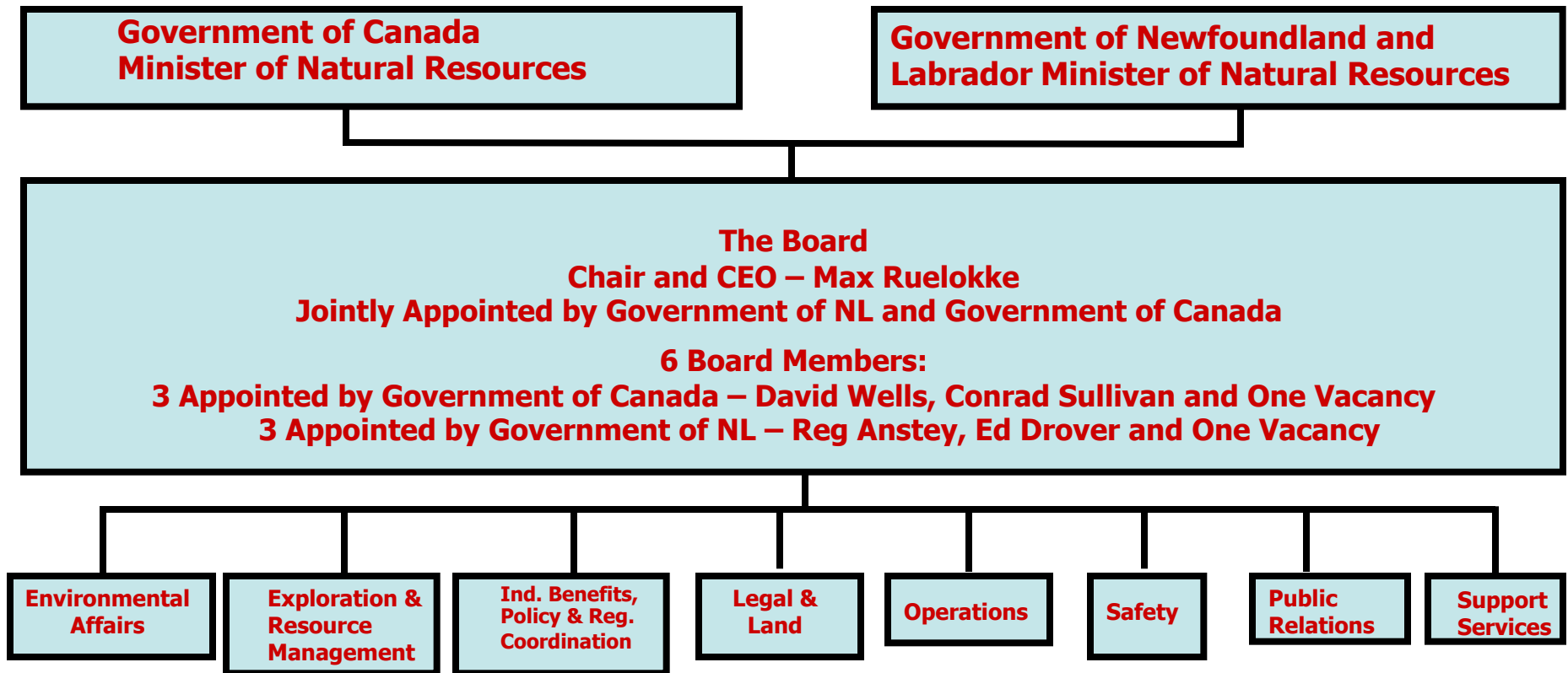
C–NLOPB Mandate

Interpret and apply the Atlantic Accord to all oil and gas activities in the NL Offshore Area;

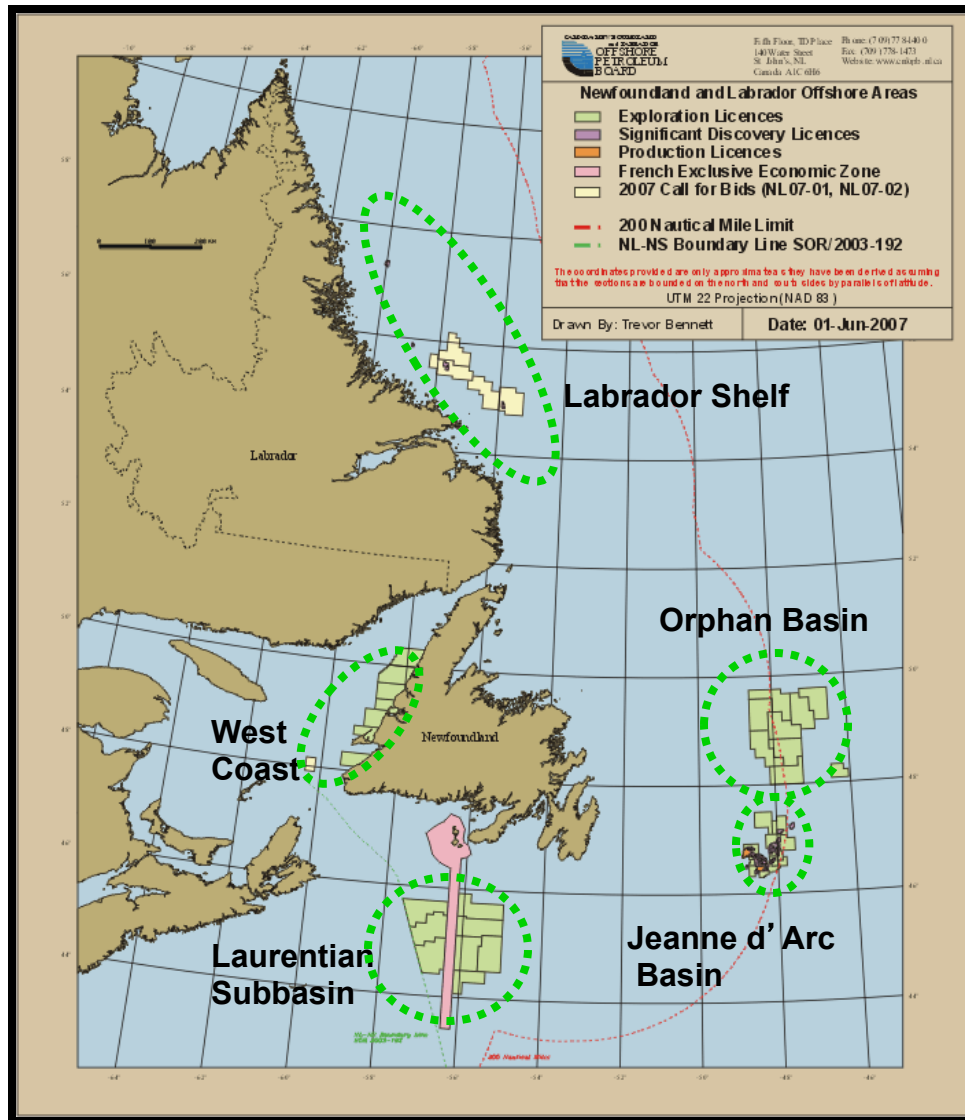
and,

oversee operator compliance

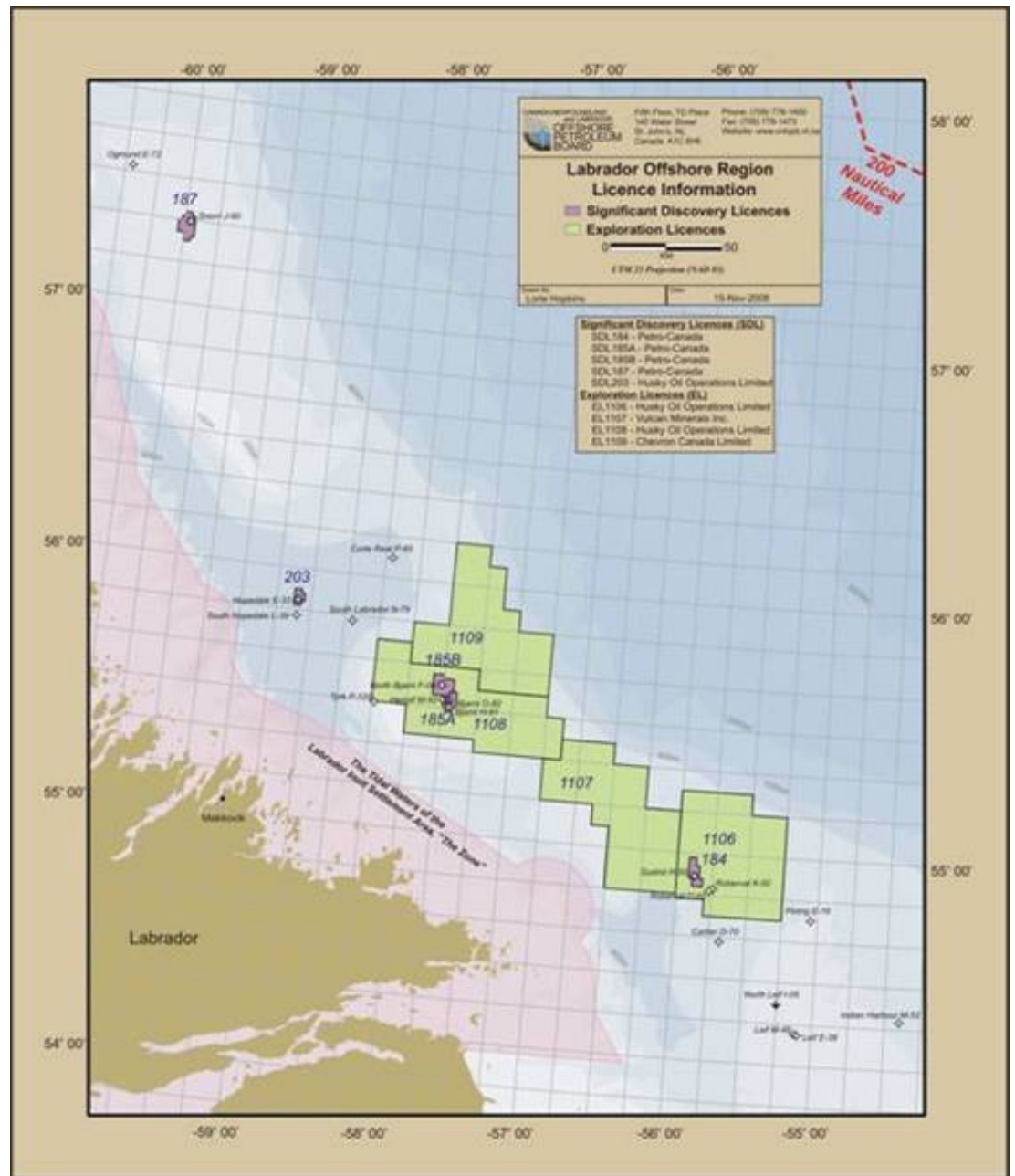
C-NLOPB Organizational Structure



NL Offshore Area



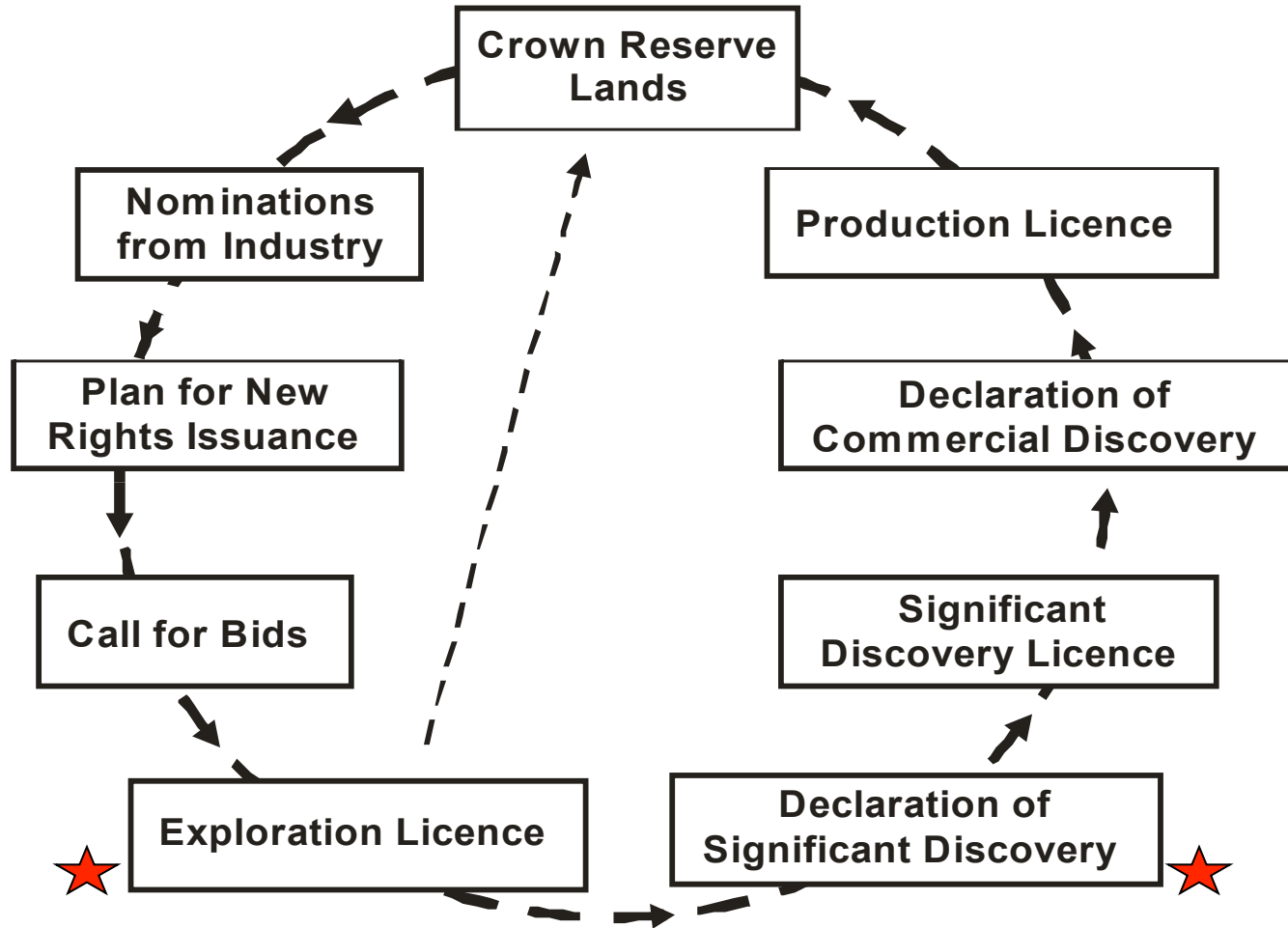
Labrador Offshore Region Licence Information



Labrador Strategic Environmental Assessment (SEA)

- SEA Report completed August 28, 2008
- SEA process co-chaired with Nunatsiavut Government
- Process included technical review and public consultation

Land Rights Issuance Cycle



2007 Rights Issuance Results

Parcel 1:

Interest Holder: Husky 100%
Expenditure Bid: **\$10,162,800**

Parcel 2:

Interest Holders: Vulcan Minerals 50%
Investcan Energy Corp. 50%
Expenditure Bid: **\$9,601,000**

Parcel 3:

Interest Holders: Husky 75%
Suncor Energy 25%
Expenditure Bid: **\$120,166,880**

Parcel 4:

Interest Holders: Chevron 100%
Expenditure Bid: **\$46,500,000**

Total Work Expenditure Bids: \$186,430,680

Exploration Licences 'Terms and Conditions'

- **Term is nine (9) years**
- **Licences effective November 15, 2008:**
 - Licence 1106 (parcel 1)
 - Licence 1107 (parcel 2)
 - Licence 1108 (parcel 3)
 - Licence 1109 (parcel 4)
- **Period I** 6 years in which a well must be drilled or commenced (can be extended by one year on payment of \$1 million drilling deposit)
- **Period II** balance of nine year term (subject to rental payments)

Significant Discovery Licences 'Terms and Conditions'

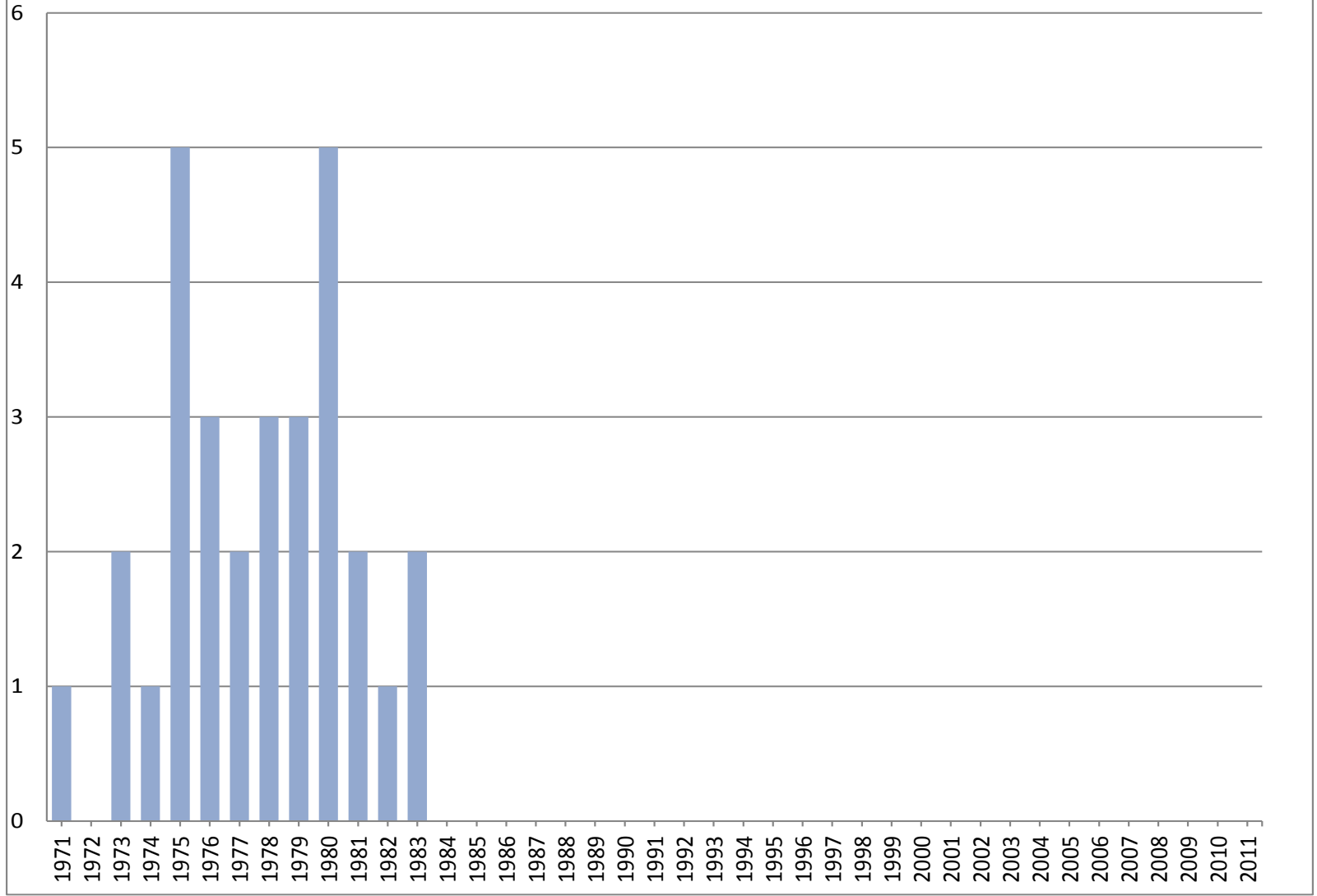
- **No fixed term**
- **Licences effective April 4, 1987:**
 - Licence 184 (Petro-Canada)
 - Licence 185A (Petro-Canada)
 - Licence 185B (Petro-Canada)
 - Licence 187 (Petro-Canada)
 - Licence 203 (Husky Oil Operations Limited)
- **4.244 trillion cubic feet (tcf) of natural gas**

Next Steps for Companies

Exploration Program

- 2D Seismic Surveys acquired in 2010
 - Husky Energy on EL' s 1106 and 1108
 - Investcan on EL 1107
 - Acquire additional regional 2D seismic over licences
- Acquire 3D seismic data over prospective areas
- Identify best prospects for drilling
- Proceed with drilling of first exploration well
 - Drill ship or semi-submersible unit

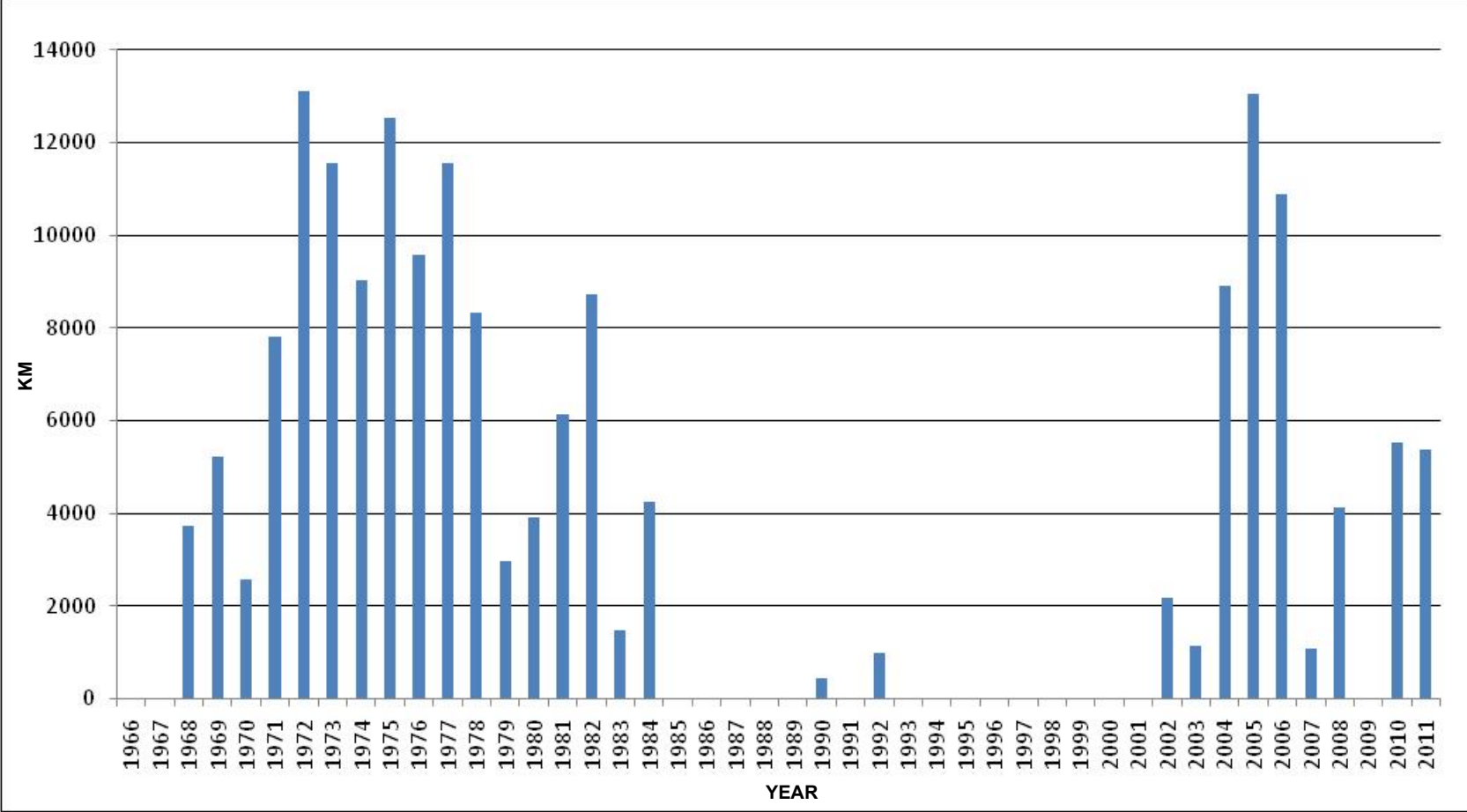
Wells Drilled per Year



1971 - Present



Seismic Acquired Offshore Labrador Area (1966-2011)



C-NLOPB Leading in Regulatory Best Practice for Offshore Drilling

- Chevron's Lona O-55 Well was only deepwater well drilled in North America after the Macondo blowout. This exploration well was under intense scrutiny.
- The C-NLOPB's special oversight measures implemented for the Lona O-55 Well are recognized by the NEB as "best practice in offshore drilling"



Additional Oversight of Lona O-55 Well

- Oversight Team established
- Field reports on testing activity
- Monitor DWH developments for lessons learned
- Audits and inspections every three to four weeks
- Operations time-out
- C-NLOPB observer at specific times during the drilling program
- Spill response ready for rapid deployment before penetrating targets
- Review well termination program

Moving Forward With Lessons Learned

- Leadership Team established to review investigation reports from the Macondo incident.
- Departmental restructuring within the C-NLOPB gives more focus on well control and offshore operations.
- C-NLOPB continuing to review reports and implement lessons learned where they apply to the NL offshore oil and gas industry.
- C-NLOPB continuing to play an important role within the International Regulators Forum for developing best practices

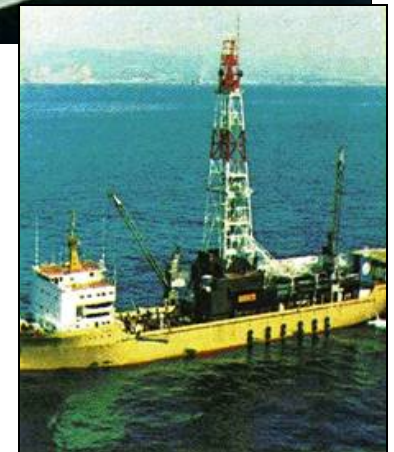


What *To* Expect

- Seismic programs to acquire data
- License holders providing updates on their plans and activities
- Possibly additional rights issuance
- Possibly some media attention
- Increased R&D on production options

What *Not* to Expect

- Any significant land based activity
- Any early start to development



www.cnlopb.nl.ca

