
Background for 1999 Eagle Plain Call for Bids

Results of Bids and Description of Parcels

Parcel 1

Work expenditure bid	\$8,214,414.44
Work deposit	\$2,053,603.61
Issuance fee	\$500.00
Bidder	Anderson Resources Ltd.

Location and Size

Parcel 1 is located at approximately 66 ° N - 137 ° W. It is 146 sections or 383 square kilometres.

Oil and Gas Dispositions

The parcel abuts on and surrounds significant discovery licence SDL 022. In the southeast corner, the parcel borders on significant discovery licence SDL 021.

Wells and Seismic Lines

Two wells, Chance D-22 drilled in 1985 by EXCO and East Chance C-18 drilled in 1968 by Western Minerals, are located in the parcel area. Two wells, North Parkin D-54 drilled in 1984-85 by EXCO, and West Parkin D-51 drilled in 1965 by Socony Mobil are adjacent to the northern area of the parcel. Extensive seismic was shot within the parcel and areas surrounding it.

Roads and Highways

The Dempster Highway cuts in a north-south direction through the eastern third of the parcel. Two trails run through it. One traverses the northern third of the parcel. The other goes in a southeasterly direction from the Dempster Highways toward the Birch E-53 well.

Parcel 2

Work expenditure bid	\$12,214,414.44
Work deposit	\$3,053,603.61
Issuance fee	\$500.00
Bidder	Anderson Resources Ltd.

Location and Size

Parcel 2 is located at approximately 66 ° N - 137° W. It is 159 sections or 417 square kilometres.

Oil and Gas Dispositions

The parcel touches on and surrounds the location of significant discovery licence SDL 020. In the southwest corner, the parcel borders on significant discovery licence SDL 021.

Wells and Seismic







One well, Birch E-53 which was drilled by Chevron in 1972, is located in the parcel area. Extensive seismic was shot within the parcel and areas surrounding it.

Roads and Highways

The parcel lies to the southeast of the Dempster Highway. A trail cuts through it to the Birch E-53 well.

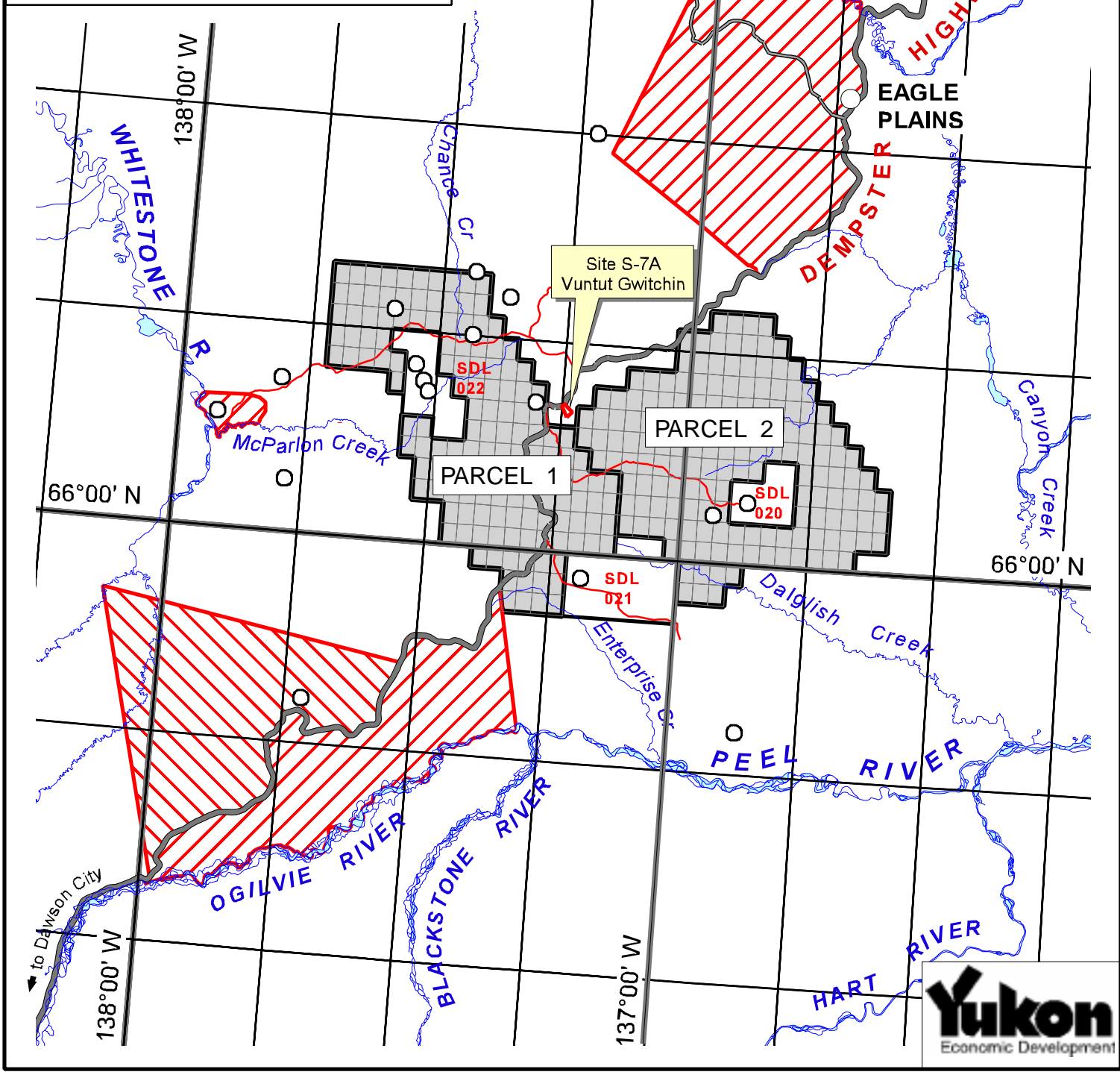
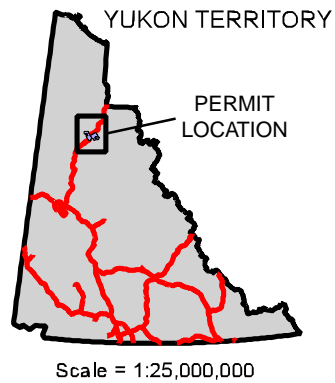
1999 YUKON EAGLE PLAIN OIL & GAS PARCELS

LEGEND:

-  New Oil & Gas Permits
-  Oil & Gas Significant Discovery Licence
-  Vuntut Gwitchin First Nation R-Block
-  Tr'ondek Hwech'in First Nation R-Block
-  Access Route
-  Well

5 0 5 10 15 km

Scale = 1:500,000



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Background Information

Yukon Oil and Gas Act

Under the *Yukon Oil and Gas Act*, the Yukon government has two primary responsibilities for oil and gas: owner (Part 2); and regulator (Part 3).

Depending on the location, oil and gas resources are owned either by a First Nation or the Yukon government. Government's, however, do not have the technical capability to develop the resources, so they usually transfer the rights to them to companies which have the capability.

Dispositions are the legal instruments through which governments grant the right to a company to explore for or remove oil and gas in a location.

Dispositions Generally

The Minister may issue rights to any specific location, may limit the rights available, or may choose not to allow rights to be issued. The Minister may issue rights in three ways: following a Call for Bids, on application, or according to any other procedure. *In September 1999, the Minister of Economic Development issued a Call for Bids for two parcels in the Eagle Plain basin.*

The Minister may restrict the issuance of rights, withdraw land from disposition, refuse to issue a disposition, or cancel a disposition (giving a full refund) where rights were issued in error.

After the Call for Bids, rights are issued through a permit. Once rights are issued, they are binding upon both the government and the rights holder. When rights to a certain location are granted, the successful bidding company has 90 days to sign and return the permit, or it may lose the rights. The term of the permit usually begins the day it is issued.

A holder of oil and gas rights may divide, consolidate, share, sell, or give back those rights. If several parties share the rights, they must appoint a representative to act on their behalf. The representative's actions are legally binding on the partnership.

The Minister may cancel rights if the rights holder does not follow the rules and conditions. The Minister may, on 90-day notice, cancel the disposition if the holder does not follow all the terms and conditions of the disposition, the notices given, and all the regulations. The 90-day notice provides the holder with a chance to make corrections.

Criterion for Issuing Rights

The Minister may issue rights on the basis of either a cash or work expenditure bid. When the rights are issued on the basis of a cash bid, the money is paid to the government and goes into general revenue.

When rights are issued on the basis of a work expenditure bid, the company that proposes to spend the highest total amount of money doing exploratory work on each parcel within the initial term of a permit will be awarded the rights. In this case, the government does not

receive any money that goes into general revenue. However, to ensure that the company spends the money it committed in its Work Proposal Bid, the company is obliged to submit a refundable work deposit to the government:

- The deposit must equal one quarter (25%) of the money bid.
- At its convenience, a company may replace the work deposit with a letter of credit, a bank guarantee, or any other financial instrument acceptable to the Minister.
- As the company performs its work, one quarter (25%) of the money spent will be refunded at the end of each permit year. If the work deposit has been replaced with a letter of credit or bank guarantee, at the end of each permit year the company may reduce the guarantee by an amount equal to one quarter (25%) of the money spent during the year.

Oil and Gas Permits and Leases

General

Oil and gas rights are granted through two instruments: permit or lease.

A permit allows a company to explore for, drill, and test for oil and gas. If a permit holder discovers oil or gas, they may apply for a lease to begin production. The lease gives them rights to remove and sell whatever oil and gas is at that location.

Besides a permit or lease, rights holders require specific licences to perform any oil or gas activity. In other words, rights pertain to resources in a certain location, while licences cover any and all activities related to the resource.

Permits

A permit will allow the holder the right to:

- explore, drill and test for oil and gas in a specific location;
- recover and remove the oil or gas produced as a result of the testing; and,
- apply for a lease at that location.

A permit may or may not be renewable, but it cannot be held for an aggregate term of more than ten years. A permit may only be renewed if at least one well is drilled in the location during the first term.

A permit term may be extended for up to 180 days to allow completion of drilling already under way.

Leases

A permit holder may apply for a lease any time before the permit expires.

The lease will be at the same location as the permit, minus any areas that are not believed to contain oil or gas. The lease location is described in three-dimensional terms. It grants rights over a certain area, to the bottom of the productive oil or gas zone that is the deepest.

A lease will be good for ten years, renewable for terms of five years each. A lease renewal will only cover spacing areas that contain productive zones.