

Government of Yukon
Call for Bids # 4
Peel Plateau

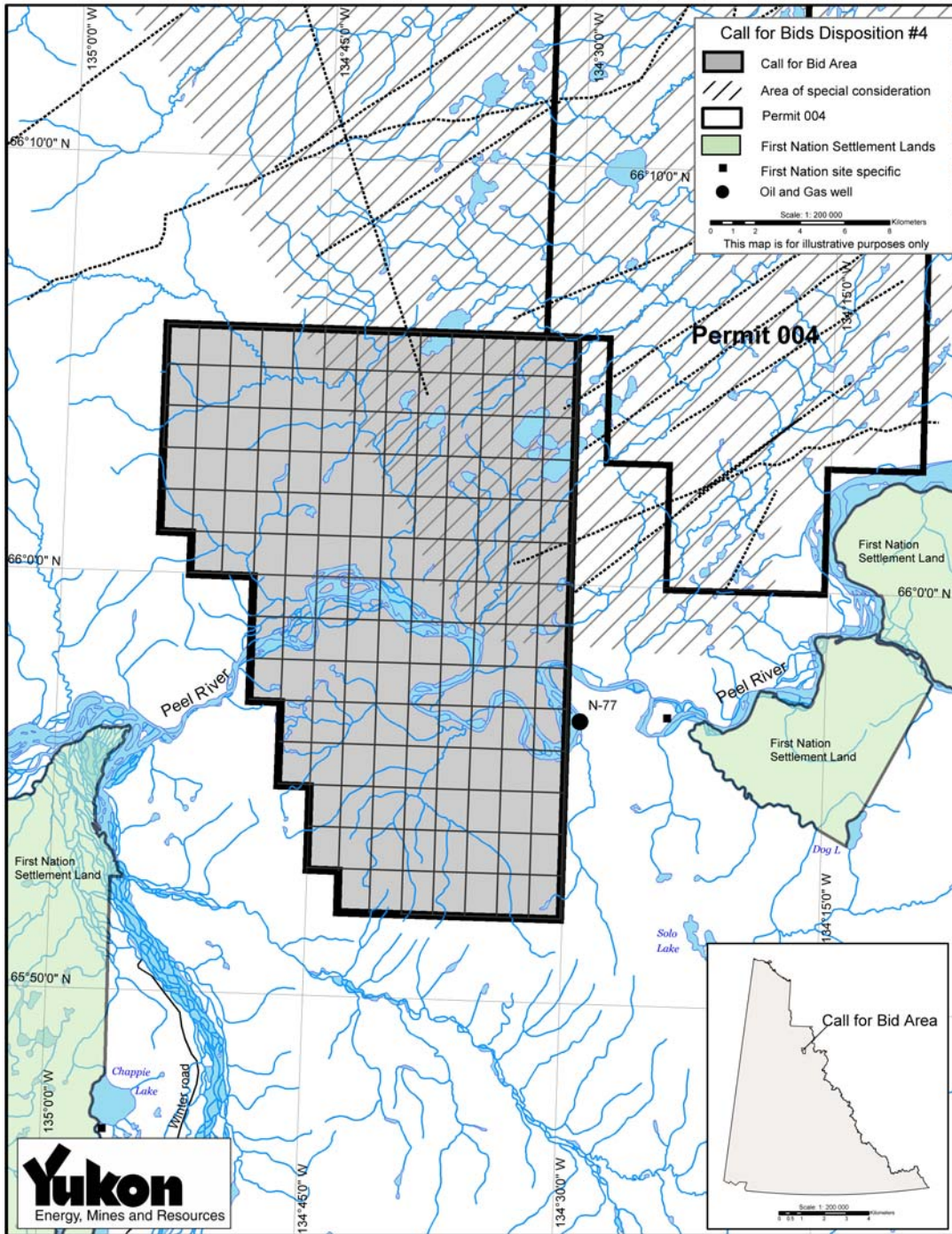
Closing at 4:00 p.m. Pacific Daylight Time, October 20, 2004

The Yukon Minister of Energy, Mines and Resources (Minister) hereby makes a call for the submission of bids for the sale of an oil and gas permit granting oil and gas rights in respect of the following lands located in the Peel Plateau:

Parcel Peel - 1 (148 sections, approximately 39,770 hectares)

| GRID AREA | SECTIONS |
|--------------------|--|
| 66° 00' - 134° 30' | 3-10, 13-20, 23-30, 33-40, 43-50, 53-60, 63-70, 74-80 |
| 66° 00' - 134° 45' | 6-10, 18-20 |
| 66° 10' - 134° 30' | 1-6, 11-16, 21-26, 31-36, 41-46, 51-56 ,61-66, 71- 76 |
| 66° 10' - 134° 45' | 1-6, 11-16, 21-26, 31-36, 42-46 |

Map of Parcel Peel - 1



Call for Bids # 4

Peel Plateau

Parcel Peel - 1

1. Call for Bids

This Call for Bids (the "Call") is made pursuant to and subject to the Yukon's *Oil and Gas Act* and the *Oil and Gas Disposition Regulations* as amended from time to time.

The permit will grant rights only to oil and gas under the administration and control of the Yukon Government, and will respect the rights of First Nations under land claims final agreements.

If there is a conflict or inconsistency between the provisions of this Call and the provisions of the *Oil and Gas Act*, the *Oil and Gas Disposition Regulations* or the permit, the provisions of the *Act*, the *Regulations* or the permit prevail.

Any submission of a bid in response to this Call shall be made with the understanding that the person(s) submitting the bid accepts and agrees to the terms and conditions in this Call. Any bid submitted that does not conform to the terms and conditions provided in this Call will not be considered by the Minister.

2. Submission of Bids

Sealed bids must be delivered, either by registered mail or in person, to the following address prior to **4:00 P.M., Pacific Daylight Time, on Wednesday, October 20, 2004:**

Director, Oil and Gas Management Branch
Yukon Department of Energy, Mines and Resources
#300, 111 Main Street
Whitehorse, Yukon
Y1A 2B1

Each bid submitted in response to this Call must be enclosed in double sealed envelopes bearing no corporate identification. The outer envelope should be clearly marked as follows: "Yukon 2004 Peel Plateau Call for Bids #4". The inner envelope should be clearly marked as follows: "Yukon 2004 Peel Plateau Call for Bids #4: Peel Parcel – 1". The inner envelop must contain:

- The completed Bid Submission Form ("Call for Bids - Attachment 1")
- A separate financial instrument in respect of the Work Deposit (clause 9, below) and
- The issuance fee (clause 6, below).

3. Bid Selection Criterion - *Oil and Gas Disposition Regulations, sections 9 (f) and (g)*

The successful bid will be selected on the basis of a single criterion, namely, the total amount of expenditures that the bidder proposes to make with respect to exploration for oil and gas in the parcel during the initial term of the permit or any extension of the initial term (the "Work Proposal Bid").

4. Acceptance/Rejection of Bids – *Oil and Gas Act, section 1*

The Minister is not bound to select any bid submitted. Bids will be accepted only in relation to the entire parcel. Bidding results will be made available as soon as possible following the closing of the call.

5. Minimum Bid

Work proposal bids of less than \$1 million for the parcel will not be considered.

6. Issuance Fee – *Oil and Gas Disposition Regulations, Schedule 1*

An issuance fee of \$500 (clause 2, above) must be submitted with the bid by separate cheque made payable to the Yukon Government.

7. Term – *Oil and Gas Act, sections 31, 34 and 35*

Subject to the *Oil and Gas Act*, the initial term of the permit will be six (6) years with a right of renewal and, if the permit is renewed, the renewal term will be four (4) years. Section 35 of the Act provides for extensions of the initial term and the renewal term by reason of drilling.

8. Work Requirement – *Oil and Gas Act, section 34*

The drilling of one (1) exploratory or delineation well prior to the end of the initial term is a requirement for obtaining a renewal for a second term.

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

Where an initial term is extended by reason of drilling, the second term shall be reduced accordingly.

Failure to drill a well in the location of the permit by the end of the initial term will result in the termination of the permit.

9. Work Deposit – *Oil and Gas Disposition Regulations, sections 9, 12*

Each bid must be accompanied by a Work Deposit for the specified parcel in the amount of twenty-five per cent (25%) of the bid submitted.

Form of Payment

The Work Deposit must be submitted in the form of an irrevocable letter of credit, a bank draft, money order or certified cheque made payable to the Yukon Government, or any other negotiable financial instrument approved in advance by the Minister. Failure to receive pre-approval may result in disqualification of the bid. Non-certified company cheques are not considered negotiable financial instruments for this purpose.

The bank draft, money order or certified cheque of the successful bidder will be deposited while those of unsuccessful bidders will be returned. The Work Deposit of the successful bidder may be replaced by an irrevocable letter of credit, promissory note accompanied by a bank letter of guarantee, or other negotiable financial instrument satisfactory to the Minister.

Refunding of Work Deposit

As expenditures are incurred during the initial term of the permit, the Work Deposit is refundable on an actual cost basis; see the Schedule of Allowable Expenditures (Attachment 2). Since the Work Deposit represents 25% of the total amount bid for the parcel, refunds are likewise prorated on the basis of 25% of allowable expenditures incurred.

Any Work Deposit balance remaining at the end of the initial term is subject to forfeiture. Expenditures incurred in the second term of a permit will not be credited against the Work Deposit.

Allowable Expenditures – *Oil and Gas Disposition Regulations, sections 9 and 12*

Only those expenditures approved by the Minister in accordance with the Schedule of Allowable Expenditures (Attachment 2) will be considered as allowable expenditures for the purposes of calculating the amount of a refund of the Work Deposit. The Minister will publish supplementary guidelines respecting the calculation of costs referred to in the Schedule of Allowable Expenditures.

10. Rentals - *Oil and Gas Disposition Regulations, section 29*

Rentals will be provided for in the permit. The following is a summary of those provisions:

- There are no rentals payable during the initial term of a permit.
- In the second term, rentals will be payable at \$5.00/hectare.
- Rentals will be payable annually, in advance, and are to be submitted by electronic funds transfer, cheque payable to the Yukon Government, or any other negotiable financial instrument in a form satisfactory to the Minister.
- When the permit continues in force beyond the second term due to the drilling of a well, rentals will be payable at the rate applicable during the second term. Such rentals will be payable monthly, in advance, at the rate of one twelfth (1/12) of the annual rate.
- Failure to pay rentals will result in the cancellation of the permit.

11. Related Requirements

Oil and gas exploration rights will be subject to Yukon oil and gas policy and regulatory requirements noted in this section and applicable laws of general application. In addition, bidders are advised that surface access and activities will be subject to Yukon land use planning policies.

Before conducting any activity (seismic, drilling of a well, etc.), operators must obtain the required licence pursuant to the *Oil and Gas Act* and its regulations.

The Yukon Government is committed to administrative simplicity and efficiency and will, to the greatest extent possible, adhere to a streamlined one window licensing process and coordinate the review of oil and gas applications and submissions through one entity.

11.1 Requirements Relating to the Environment

Operators wishing to carry out activities will be required to comply with all Yukon environmental requirements stemming from the *Environmental Assessment Act* (the “EAA”), the *Yukon Environmental and Socio-economic Assessment Act* (Canada) (the “YESAA”) and other applicable legislation.

Operators will be required to conduct environmental impact assessments, including cumulative effect assessments of proposed oil and gas development. These assessments are intended to eliminate negative impacts on the habitat of caribou herds, other wildlife, waterfowl, and other birds; protect the integrity of the Peel River watershed, and maintain tourism values and the aesthetic appeal of the landscape.

Mitigative measures, such as seasonal restrictions of activities to reduce industrial disturbance of fish, wildlife and their habitat, and strict management of drilling fluids and waste are measures that will be applied when necessary.

Operators will be required to prepare site-specific environmental protection plans for areas of special consideration prior to the commencement of activity. These plans would describe the necessary procedures the operator would take to minimize any environmental impacts to the wetland complex, sensitive fish and mammal habitats, birds or other species in the region.

Buffers, setbacks, seasonal restrictions of operations along rivers to safeguard views, equipment-free zones, and other mitigative measures may be required at the permitting/licensing stage.

11.2 Waterfowl and Wetlands

Operators will be expected to apply best management practices and mitigative measures such as utilizing seasonal windows for activities carried out within and in proximity to the Turner Wetlands in order to reduce disturbance waterfowl migration, staging and nesting periods and the ecology of the wetland complex.

11.3 Environmental and Cumulative Effect Assessments

Environmental and cumulative effect assessments of oil and gas development will be required as part of the overall environmental impact assessment under the *EAA* and eventually the *YESAA*.

11.4 Best Management Practices

Prospective bidders are advised that the Yukon government is currently developing best management practices in conjunction with the industry, First Nations and other interested parties for oil and gas activity. In future, best management practices will be used by regulators and industry to reduce the likelihood of negative impacts on sensitive environmental area.

11.5 Yukon Benefits Requirements

Operators applying for a licence may be required to conclude benefits agreements and shall adhere to the Yukon benefits requirements as prescribed in the *Oil and Gas Act* and outlined in Attachment 3. In addition, operators will be required to inform First Nations with traditional territories in the license area of potential employment and business opportunities associated with operations conducted under authority of a proposed license.

11.6 Heritage, Cultural, Archeological Requirements

Operators are advised that activity may be prohibited on identified cultural, historic, archeological, and burial sites. Operators applying for a licence will be required to conduct a heritage resource impact assessment to determine the location of heritage, cultural and archeological resources and possible impacts the proposed activity may have on them. A plan in accordance with Yukon Heritage Branch's Geoscience Exploration Guidelines for Management and Protection of Historic Resources to mitigate such impacts will be required.

11.7 Socio-Economic Impact, Notification, and Compensation

Operators will be required to assess the socio-economic impact of the proposed activity.

Operators will be required to consult with land owners, occupants of land, and licensed users (i.e. tourism outfitting operators) of the land and others who will or may be adversely affected by operations to be conducted under authority of a proposed license.

Operators will be expected to make every effort to limit the effects of their activities on land owners, occupants of land and other land users through the application of the appropriate mitigative measures and best management practices.

Operators will be expected to provide fair and equitable compensation, consistent with applicable territorial policies and practices, to land owners, occupants of land, licensed users of the land and others in the event of adverse impacts demonstrated to result from project related activities.

11.8 Road and Surface Access

Operators will be expected to use mitigative measures and best practices when planning access.

Access and activities will be restricted to winter months unless it can be shown that the access/activity can occur without harmful effects to the environment and wetlands in particular.

Access may be subject to First Nation land claims final agreements.

Operators planning to construct access roads will be required to obtain appropriate permits and licenses.

12. Permit

Any permit which may result from this Call will be issued pursuant to the *Oil and Gas Act* and the *Oil and Gas Disposition Regulations* as amended from time to time.



Energy Mines and Resources
 Director, Oil and Gas Management Branch
 #300, 211 Main Street, Whitehorse, Yukon Y1A 2B2

Tel: 867-667-3427
 Fax: 867-393-6262
 www.yukonoilandgas.com
 john.masterson@gov.yk.ca

Call for Bids Attachment 1: BID SUBMISSION FORM

For Branch Use Only:

Date Received: yyyy mm dd

CALL FOR BIDS:

Bid Location:

Call Date: yyyy mm dd

Closing Date:

CLIENT INFORMATION:

Company Representative:

Company:

Address:

City, Province/Territory Postal Code

Telephone:

Fax:

E-mail:

BID DETAILS:

Amount of Work Proposal Submitted:
 (Minimum amount of \$1,000,000)

Work Deposit Submitted:
 (25% of the Work Proposal Bid)

Form of Deposit: Certified Cheque Bank Draft
 Money Order Other pre-approved form _____

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

Company:

Address:

Province/Territory Postal Code

Registered Mail Courier Collect Other _____

If this bid is successful, please issue permit to:

| | |
|----------------------|-------|
| <input type="text"/> | 0.00% |
| <input type="text"/> | 0.00% |
| <input type="text"/> | 0.00% |
| <input type="text"/> | 0.00% |

Land Sale #:

Tract #:

Bid #:

Client I.D. #:

Accepted?:

Signed: _____

Title: _____

Name: _____

Date: yyyy mm dd

Attachment 2

Call for Bids # 4 Peel Plateau Parcel Peel – 1

Schedule of Allowable Expenditures

This Schedule describes the kinds of work and purchases the cost of which may be approved as allowable expenditures for the purposes of calculating the refunding or partial refunding of the Work Deposit furnished in respect of the permit. Allowable expenditures may be claimed at cost.

See also the supplemental guidelines published by the Minister, respecting the calculation of costs under this Schedule.

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 assist the evaluation of the location of the permit.

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

Mobilization and demobilization of equipment and supplies, and any incurred stand-by charges considered reasonable by the Minister.

Notwithstanding the above, the Minister may approve costs claimed with respect to classes of work or activity not contemplated by this Schedule.

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

Attachment 3

Call for Bids # 4 Peel Plateau Parcel Peel – 1

Yukon Benefits Requirements

Companies engaged in exploration activity in the Yukon are expected to follow the requirements outlined below.

Benefits, Employment and Training

Section 68 of the *Oil and Gas Act* states that no oil and gas activity shall be carried out under the authority of a licence unless there is a benefits agreement in effect. The following summarizes the main requirements of section 68 of the Act:

- Normally, the agreement is to be tripartite, between the licensee, the Minister on behalf of the Government, and the Yukon First Nation on whose settlement land or traditional territory the activity will be carried out. However, if the activity is to be carried out exclusively on Yukon oil and gas lands other than Category B Settlement Land, a benefits agreement executed by the licensee and the Minister will be deemed to be a benefits agreement if there has been full and fair consideration of the views presented by First Nations.
- The agreement is to contain undertakings by the licensee to provide to the First Nation and its citizens, local community residents, and other Yukoners affected by the activity, opportunities for employment and training, and opportunities to supply goods and services to the licensee and contractors.
- The benefits are to be commensurate with the nature, scale, duration and cost of the work. Where work related to the oil and gas activity is not anticipated to entail costs in excess of \$1,000,000 (one million dollars) in any 12-month period a benefits agreement is not required.
- The agreement may cover activities to be carried out under two or more licenses.
- The requirement for an agreement may be waived under some circumstances.

Arbitration

If the activity is to be carried out exclusively on Category B Settlement Land and the parties are unable to agree on the contents of a benefits agreement, any party may submit the matter to arbitration and the arbitrator's award will be deemed to be a benefits agreement.

Consultation

A company will be expected to provide appropriate information concerning its exploration programs to concerned individuals, groups and communities in Yukon. Exchanging relevant information in a timely fashion will enable the company to assess the potential local economic and employment opportunities.

Reporting

As determined by the Division Head, a company will be required to report on its progress in achieving the benefits requirements.