

YUKON CALL FOR BIDS #2

Parcel in Eagle Plain Basin

January 12 to March 14, 2001

Oil & Gas Resources Branch
Yukon Department of Economic Development
209 - 212 Main Street
Whitehorse, Yukon, Y1A 2B1
Canada
Tel: (867) 667-3427
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Yukon 2001 Call for Bids Parcel in Eagle Plain Basin

1. Call for Bids

The Yukon Minister of Economic Development (Minister) hereby makes a call for the submission of bids for the sale of oil and gas rights in respect of the parcel described in Schedule 1.

This Call for Bids is made pursuant to and subject to the Yukon *Oil and Gas Act* and the *Oil and Gas Disposition Regulations*.

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

Any submission of a bid in response to this Call for Bids shall be made with the understanding that the person(s) submitting the bid accepts and agrees to the terms and conditions in this Call for Bids. Any bid submitted that does not conform to the terms and conditions provided in this Call for Bids 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 Standard Time, on Wednesday, March 14, 2001:**

Oil and Gas Resources Branch
Yukon Department of Economic Development
Suite 209, 212 Main Street
Whitehorse, Yukon
Y1A 2B1

Each bid submitted in response to this Call must be addressed to the Minister of Economic Development and be in double sealed envelopes bearing no corporate identification. The outer envelope should be clearly marked as follows: "Yukon 2001 Eagle Plain Call for Bids". The inner envelope should be clearly marked as follows: "Yukon 2001 Eagle Plain Call for Bids: bid for parcel 01".

The Bid Submission Form (Attachment 1) must be completed and accompany the bid.

To be accepted, a bid must be accompanied by a separate financial instrument in respect of the Work Deposit (clause 8) and the issuance fee (clause 5).

3. Bid Selection Criterion - *Oil and Gas Disposition Regulations, section 9*

The successful bid will be selected on the basis of a single criterion, namely, the total amount of money that the bidder proposes to spend doing exploratory work on the parcel within the initial term of the permit (Work Proposal Bid).

4. Minimum Bid

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

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

An issuance fee of \$500 must be submitted with the bid by separate cheque made payable to the Government of Yukon.

6. Term – *Oil and Gas Act, section 31*

Subject to the *Oil and Gas Act*, the initial term of a 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.

7. 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.

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

Each bid must be accompanied by a work deposit for the 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 a bank draft, money order or certified cheque made payable to the Government of Yukon, or any other negotiable financial instrument approved in advance by the Division Head. Failure to receive pre-approval may result in disqualification of the bid. The Division Head may be reached at (867) 667-3427. Non-certified company cheques are not considered negotiable financial instruments for this purpose.

Bank drafts, money orders and certified cheques of successful bidders will be deposited while those of unsuccessful bidders will be returned. Work deposits of successful bidders may be replaced, at their convenience, by letters of credit, promissory notes accompanied by bank letters of guarantee, or other negotiable financial instruments satisfactory to the Minister.

As expenditures are incurred during the initial term of the permit, Work Deposits are refundable at the rates established in the attached Schedule of Allowable Expenditures (Attachment 2). Since Work Deposits 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 will be forfeited. Expenditures incurred in the second term of a permit will not be credited against the Work Deposit.

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

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 Government of Yukon, or any other negotiable financial instrument in a form satisfactory to the Minister.

When a 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 early termination of the permit.

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

Attachment 2 contains the Schedule of Allowable Expenditures to be used in determining refunds of Work Deposits.

11. Acceptance/Rejection of Bids – *Oil and Gas Act, section 18*

For the purpose of issuing a permit, the Minister will choose the highest bid in terms of the single bidding criterion (Work Proposal Bid). 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.

12. Related Requirements

The exercise of oil and gas exploration rights will be subject to Yukon policy and regulatory requirements noted in this section. In addition, bidders are advised that surface access and activities will be subject to federal land use planning requirements.

Before conducting any activity (seismic, drilling of a well, etc.), operators must obtain the required licence pursuant to the Yukon *Oil and Gas Act* and its regulations. At the time of issue of this Call, the relevant regulations (*Oil and Gas Licence Administration Regulations, Oil and Gas Geoscience Exploration Regulations, and Oil and Gas Drilling and Production Regulations*) were all in draft form. The Government of Yukon plans to enact the *Oil and Gas Licence Administration Regulations* and the *Oil and Gas Geoscience Exploration Regulations* in early February 2001.

The Government of Yukon 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.

12.1 Requirements Relating to the Environment

Operators wishing to carry out activities will be required to comply with all Yukon requirements, and federal environmental requirements stemming from the *Canadian Environmental Assessment Act*, and other applicable legislation.

Specifically, companies may be required to conduct environmental impact assessments, including cumulative impact assessments of oil and gas development. These assessments may result in measures intended to maintain the habitat of the Porcupine Caribou herd; protect the integrity of watershed; and maintain tourism

values and the aesthetic appeal of the landscape.

The work season may be restricted to those months when the proposed type of activity will not have significant environmental impact on sensitive fish and mammal habitats, birds or other species and there may be conditions relating to drilling fluids and waste discharges.

Companies may be required to prepare site-specific environmental protection plans prior to the commencement of activity. These plans would describe the necessary procedures the operator would take to minimize any environmental impacts to sensitive fish and mammal habitats, birds or other species in the region.

12.2 Yukon Benefits Requirements

Companies applying for a licence may be required to conclude benefits agreements and shall adhere to the Yukon benefits requirements outlined in Attachment 3.

12.3 Heritage, Cultural, Archeological Requirements

Companies are advised that activity may be prohibited on identified cultural, historic, archeological, and burial sites. Companies 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 to mitigate such impacts may be required.

Dalglish Creek has been identified as a sensitive area from an environmental and heritage/cultural perspective. Activity in the proximity of the creek may be subject to restrictive conditions or it might be prohibited.

12.4 Socio-Economic Impact, Notification, and Compensation

Oil and gas operators will be required to assess the socio-economic impact of the proposed activity.

Operators will be required to consult with owners and occupants of land and others who will or may be adversely affected by operations to be conducted under authority of a proposed licence.

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

12.5 Road and Surface Access

Companies planning to construct access roads will be required to obtain appropriate permits and licences.

12.6 Best Practices

Yukon is working to develop a code on “best practices”. In future, operators will be required to conduct operations based on such a code.

13. Permit

Any permit which may result from this Call for Bids will be issued pursuant to the Yukon *Oil and Gas Act* and the *Oil and Gas Disposition Regulations*.

**Call for Bids Schedule 1:
Parcel Available for 2001 Eagle Plain Call for Bids
Parcel Number 01**

QUAD	GRID AREA	SECTIONS
116I/2	66°-10'-136°-30'	1,11,21,31,41
116H/15	66°-00'-136°-30'	5-10,15-20,25-30,36-40,46-50,56-60,66-70,76-80
116H/15	66°-00'-136°-45'	6-10,16-20,26-30,36-40,46-49,56-58,66-68,76-78
116H/14	66°-00'-137°-00'	6,7*,16,17*,26,27*,36,37*,46,47*,56,57*,66,67*,76,77*
116H/14	66°-00'-137°-15'	6,7

Total Sections = 99

Total Area = 26,130 hectares more or less.

* represents sections that are not complete sections due to a datum difference between grandfathered NAD'27 federal dispositions and the Yukon Government NAD'83 grid system for disposition issuance. The overlap in latitude is approximately 25 metres in the location of these dispositions.

Call for Bids Attachment 1: BID SUBMISSION FORM

For Branch Use Only

DATE RECEIVED:

_ / _ / _
 y m d

CALL FOR BIDS:

BID LOCATION:

CLOSING DATE: _ / _ / _
 y m d

LAND SALE #:

TRACT #:

BID #:

CLIENT INFORMATION:

COMPANY REPRESENTATIVE: _____
 COMPANY: _____
 Address: _____
 City, Province/Terr. _____
 Postal Code: _____
 Telephone: () _____
 Fax: () _____
 Email: _____

CLIENT ID #:

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: _____
 City, Province/Terr. _____
 Postal Code: _____
 Registered mail Courier collect other: _____

ACCEPTED?

If this bid is successful, please issue permit to:

_____ %
 _____ %
 _____ %
 _____ %

SIGNED: _____

TITLE: _____

NAME: _____

DATE: _ / _ / _
 y m d

Call for Bids Attachment 2

Schedule of Allowable Expenditures

(note: claims may be subject to post audit)

Data Acquisition

Reflection seismic operations, including all costs relating to field acquisition, processing and interpretation:

2D surveys	\$15,000 per km
3D surveys	\$35,000 per sq. km
Participation surveys and group shoots as they relate specifically to evaluation of the Location.	At cost to the permittee, not to exceed the above rates, and subject to pre-approval.
Other geophysical and geological programs or portion thereof, as they relate specifically to evaluation of the Location, such as gravity, aeromagnetic, helicopter portable seismic surveys and geological field studies.	On a case by case basis requiring pre-approval.

Data Purchase

Purchase of gravity, digiseis, and magnetic surveys.	On a case by case basis requiring pre-approval.
Purchase of seismic data for re-interpretation.	\$750 per km
Purchase of seismic data for re-processing and re-interpretation.	\$1,500 per km

Studies

Geological, geochemical, paleontological and field environmental studies.	On a case by case basis requiring pre-approval.
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Drilling

Drilling operations while actively conducted. (This allowable expenditure includes all costs related to mobilization, demobilization, regional office and supervision, support vehicles, helicopters, etc.).	\$100,000 per day
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Overhead

Ten percent (10%) of the expenditures described above and allowed by the Minister pursuant to Section 2 of this Schedule, to cover head office, management, pre-program and post-program costs.

Call for Bids Attachment 3: Yukon Benefits Requirements

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

Benefits, Employment and Training

Section 68 of the Yukon *Oil and Gas Act* states that no oil and gas activity shall be carried out under the authority of a licence unless there is in effect a benefits agreement. 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, the following should be noted:
 - 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 licences.
- 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.