



**CNLOER**

# **Scheduled Land Tenure**

## Table of Contents

1.0	Introduction.....	2
2.0	Offshore Land Tenure Regions.....	4
3.0	Level of Activity.....	4
3.1	Low Activity .....	5
3.2	High Activity .....	5
3.3	Mature.....	5
4.0	Nominations .....	7
5.0	Area of Interest (AOI).....	7
6.0	Sectors.....	7
7.0	Parcels .....	8
8.0	Land Tenure Cycles.....	10
8.1	2-Year or 3-Year Cycle (Low Activity).....	10
8.2	2-Year Cycle (High Activity).....	10
8.3	1-Year Cycle (Mature) .....	10
8.4	1-Year Cycle (Any lands not in the public schedule) .....	11
9.0	Scheduled Land Tenure Process Summary.....	11
10.0	Scheduled Land Tenure Timing.....	11
11.0	Future Calls for Bids .....	13
12.0	Licence Terms and Conditions .....	13
12.1	Allowable Expenditures.....	13
12.2	Minimum Bid.....	13
12.3	Terms of Licences .....	13
12.4	Drilling Deposit Model.....	14

# 1.0 Introduction

The Canada-Newfoundland and Labrador Offshore Energy Regulator (C-NLOER) has adopted a Scheduled Land Tenure system. The intent of this modification is to improve the existing land tenure process for all users by providing longer lead times for exploratory work in frontier areas, while maintaining the flexibility and reliability of the previous land tenure system. The Scheduled Land Tenure system is designed for maximum transparency, predictability and user input.

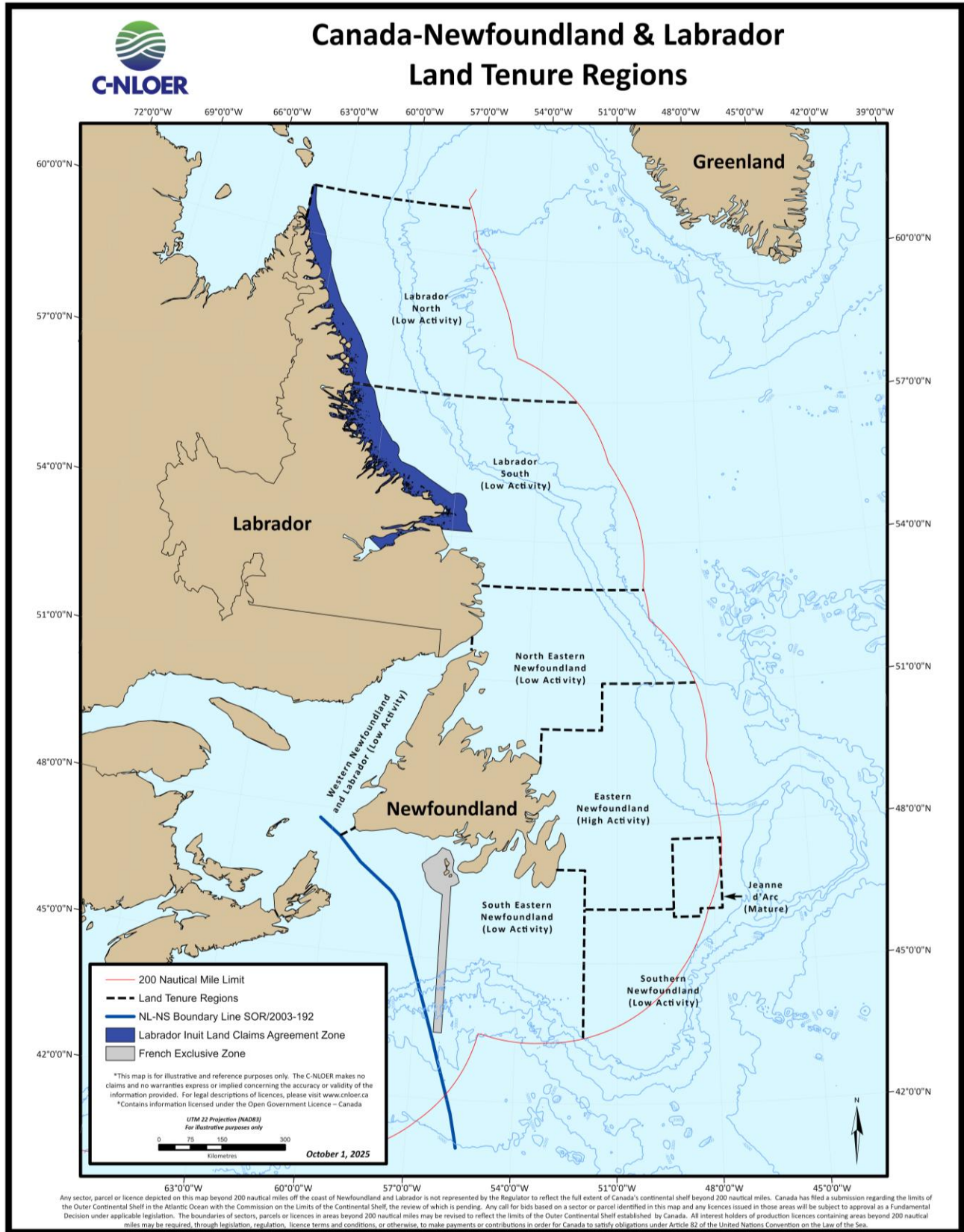
In addition to offering interested parties scheduled Call for Bids in frontier regions, the system will continue the annual Call for Nominations and Call for Bids processes in non-scheduled regions. Scheduled Land Tenure is designed to increase lead time in a publically announced Call for Nominations/Call for Bids. This system will allow additional time for enhanced geoscientific assessments of the hydrocarbon prospectivity in the lesser explored basins of the Canada-Newfoundland and Labrador Offshore Area. It has been designed to take into account existing Mature and High Activity regions, as well as Low Activity regions with limited petroleum exploration activity.

A nomination process similar to the previous model will be used in the Scheduled Land Tenure system. The system will provide multiple opportunities to nominate lands with long lead schedules, as well as the traditional annual nomination process for unscheduled lands. This system is built to allow for a certain, definitive and predictable process.

The C-NLOER has divided the Canada-Newfoundland and Labrador Offshore Area into eight geographic regions (Figure 1). These regions will be administered in the Scheduled Land Tenure system through 3-year, 2-year and 1-year cycles, based on exploration and development activity levels. Ultimately, the activity levels within the geographic regions will dictate the amount of time available to explore prior to the close of the Call for Bids in that region.

The Scheduled Land Tenure system is designed such that any publically announced scheduled Call for Bids will not close prior to the date referenced in the original announcement. As well, no Call for Bids will close prior to 120 days after the completion of a Strategic Environmental Assessment (SEA) related to that portion of the Canada-Newfoundland and Labrador Offshore Area subject to the Call for Bids.

Figure 1: Canada-Newfoundland and Labrador Offshore Land Tenure Regions.



## 2.0 Offshore Land Tenure Regions

The Canada-Newfoundland and Labrador Offshore Area is divided into eight regions based primarily on known sedimentary basin boundaries (Figure 2).

The eight geographical regions are as follows:

- Labrador North (LN)
- Labrador South (LS)
- North Eastern Newfoundland (NEN)
- Eastern Newfoundland (EN)
- South Eastern Newfoundland (SEN)
- Southern Newfoundland (SN)
- Western Newfoundland and Labrador (WNL)
- Jeanne d'Arc (JDA)

## 3.0 Level of Activity

The Scheduled Land Tenure system breaks down each of the eight offshore regions into three separate categories based on level of activity and overall oil and gas development. These categories are designated as follows:

- Low Activity
- High Activity
- Mature

Given that exploration and development activity levels vary with time and success, or the lack thereof, the assignment of regions into the above categories will be a fluid process that will be considered annually by the C-NLOER. Depending on exploration, delineation and development activity, regions may change designation.

### 3.1 Low Activity

The Labrador North, Labrador South, North Eastern Newfoundland, South Eastern Newfoundland, Southern Newfoundland and Western Newfoundland and Labrador regions fall within the Low Activity category (Figure 2). When compared to the Mature category, basins in the Low Activity category are generally underexplored with a lower level of geoscientific understanding. 2D seismic data coverage may be available on a coarse grid scale, few exploratory wells have been drilled and limited 3D seismic data has been acquired. The basins within the Low Activity category typically do not have proven hydrocarbon systems, although exceptions to this are the Saglek, Hopedale and Anticosti basins.

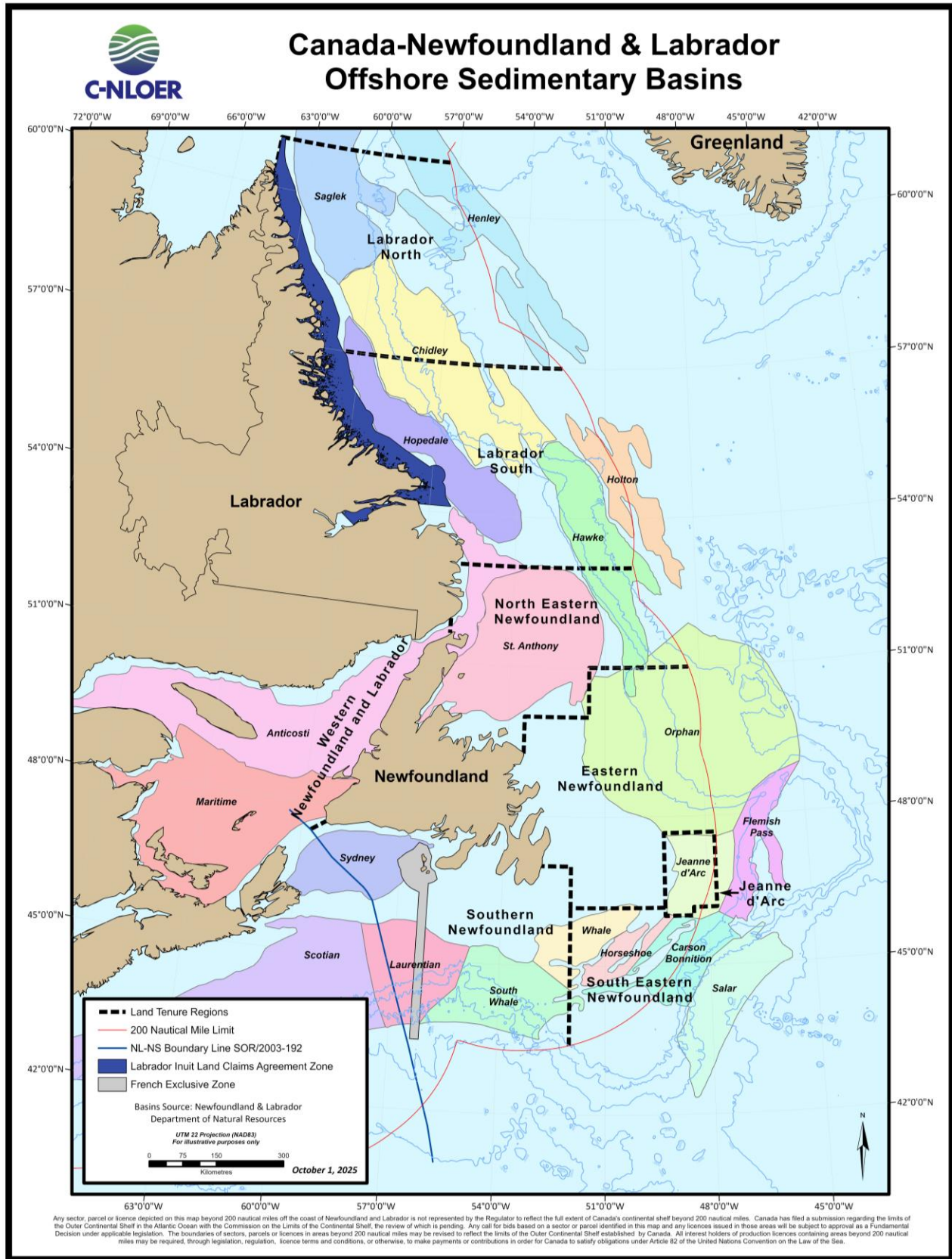
### 3.2 High Activity

The Eastern Newfoundland region falls within the High Activity category (Figure 2). This region has recently seen elevated activity levels including fine grid regional 2D seismic data acquisition, massive 3D seismic data acquisition and exploration drilling. Recently, a significant discovery has been declared in the Flemish Pass Basin; therefore, some regions within the High Activity category contain proven hydrocarbon resources.

### 3.3 Mature

The Jeanne d'Arc region has been classified as Mature (Figure 2). This region contains the prolific Jeanne d'Arc Basin which has multiple producing fields. The geology of the Jeanne d'Arc Basin is well understood, with extensive exploration, delineation and development drilling. In addition, there is substantial 2D and 3D seismic data coverage. The knowledge base of this region continues to grow with new significant discoveries, continued exploration drilling and ongoing development activities.

Figure 2: Canada-Newfoundland and Labrador Offshore Area Sedimentary Basins.



## 4.0 Nominations

The nomination process in the Scheduled Land Tenure system will be similar to the previous nomination process. There will be two different nomination scenarios:

1. **Nominations for Scheduled Land Tenure** – An initial Call for Nominations - Areas of Interest (AOI) will be made for specific regions, this will be followed at a later date by a Call for Nominations (Parcels).
2. **Nominations for all other regions not publically announced in the scheduled system** – There will be the traditional annual Call for Nominations (Parcels), where interested parties can nominate lands in the Mature region, as well as other regions that are not publically announced in the scheduled system.

## 5.0 Area of Interest (AOI)

An AOI represents a geographic block that would be nominated by industry as the lands which they would like to see progressed to a Call for Bids in the Scheduled Land Tenure system. AOIs should be designed for maximum prospectivity and exploration potential. The maximum geographic size of an area of interest nomination is 1 to 2 million hectares; there are no minimum size criteria.

The C-NLOER will use AOI nominations, in conjunction with internal assessments completed by the Offshore Resources and Data Department to design sectors.

## 6.0 Sectors

Sectors represent the geographic area for which a Call for Bids will take place in the Scheduled Land Tenure system. Sectors will be identified at the beginning of the Scheduled Land Tenure process, such that industry will have a known Call for Bids area with a longer lead schedule, allowing additional time for exploration assessment. A sector will be posted via a Sector Identification announcement.

Sectors will be configured by the C-NLOER based upon the AOI nominations received from industry and assessment of lands by the Offshore Resources and Data Department. The C-NLOER has considered the appropriate size of potential sectors given the goals and process of the Scheduled Land Tenure system. As such, sectors will be large relative to exploration prospects, existing fields and exploration licences (ELs). They will be designed to allow for multiple play and prospect types over an extensive geographical area.

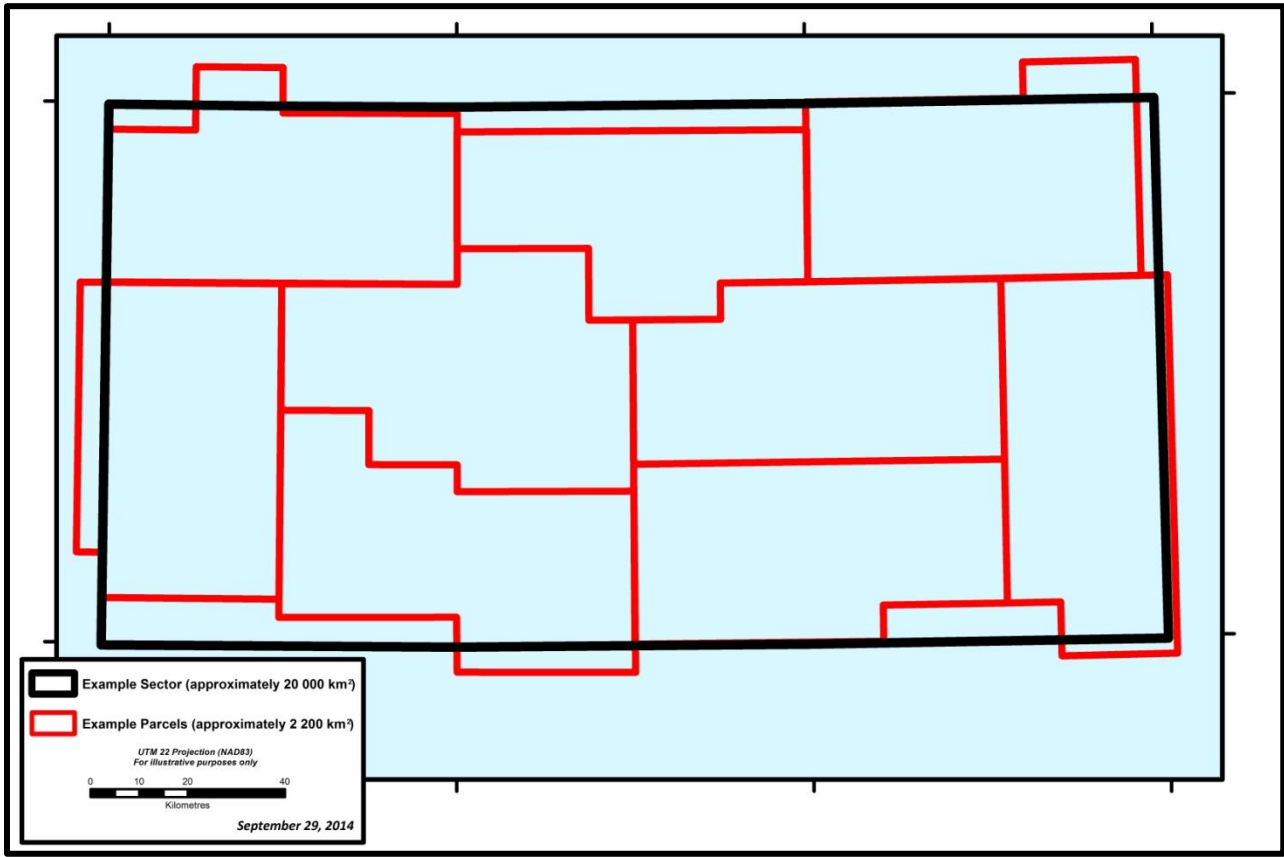
The size of a sector will be approximately 1-2 million hectares (ha) or 10 000 to 20 000 km<sup>2</sup> and therefore will accommodate roughly four to nine 800 section exploration licences (the maximum EL size offered by the C-NLOER). Sector boundaries will be considered “flexible” for the purpose of parcel design; such that parcels can extend beyond the edge of a sector to properly contain geological features in the subsurface.

## 7.0 Parcels

Parcels will be offered in a Call for Bids from which licences will be issued to successful bidders. Each parcel is composed of sections of grid areas which are defined in the *Canada Oil and Gas Regulations*. In the Canada-Newfoundland and Labrador Offshore Area, the maximum allowable parcel size is 800 sections with the only exception being parcels within the Jeanne d’Arc region, which cannot exceed 400 sections. These sizes will be mirrored in the scheduled system with Mature regions being no more than 400 sections and remaining lands no more than 800 sections.

Parcels are configured based on an assessment of hydrocarbon prospectivity and nominations from industry. An example configuration of parcels within a sector can be seen in Figure 3. It should be noted that the whole sector will be covered with parcels available for offer in the Call for Bids process.

Figure 3: Example Configuration of Parcels within a Sector.



## 8.0 Land Tenure Cycles

The Canada-Newfoundland and Labrador Offshore Area is vast, containing many sedimentary basins that vary substantially in data coverage and level of geological understanding. The Scheduled Land Tenure system was developed to take into account the variances in data coverage and geoscientific knowledge by introducing distinctive timing cycles. With different timing cycles, more exploration lead time can be allocated to lesser explored portions of the offshore, while maintaining a more responsive process in regions with elevated activity.

In a scheduled round, once a Call for Nominations is initiated by the C-NLOER, a Call for Bids will follow within the set timeframe per the announced schedule.

### 8.1 2-Year or 3-Year Cycle (Low Activity)

A 2-Year or 3-Year Cycle will be implemented for all regions that fall within the Low Activity category. The length of a new cycle will be determined after the Call for Nominations (Area of Interest) stage whereby nominators can submit their preferred timeframe as part of the nomination package. In this cycle, a Call for Nominations (Area of Interest) will be announced for a region in the winter (January) of the year and the Call for Bids will close in the fall (November), two or three years later.

### 8.2 2-Year Cycle (High Activity)

A 2-Year Cycle is designed for regions classified as High Activity. In this cycle, a Call for Nominations (Area of Interest) will be announced for a region in the winter (January) of the year and the Call for Bids will close in the fall (November), two years later. This Call for Bids cycle will provide interested parties with at least 24 months to explore and assess the area prior to the closing of the Call for Bids.

### 8.3 1-Year Cycle (Mature)

A 1-Year Cycle will be maintained for the region(s) classified as Mature. As has been the case in the past, a Call for Nominations (Parcels) will go out every year in the fall (September/October), the Call for Bids will be announced in the spring of the following year, and the Call for Bids will close in the fall (November), of the same year. This cycle will proceed annually based on interested parties nominations and assessment by the C-NLOER.

## 8.4 1-Year Cycle (Any lands not in the public schedule)

A 1-Year Cycle will also be maintained for any lands not publically announced in the scheduled system. This Call for Bids (Parcels) will proceed annually based on industry nominations and assessments by the C-NLOER. This model will mirror the schedule discussed for the Mature cycle.

# 9.0 Scheduled Land Tenure Process Summary

In the Scheduled Land Tenure system, interested parties will have the opportunity to nominate lands for the scheduled regions, via a Call for Nominations (AOI). The Nomination will require interested parties to submit an AOI nomination, no greater than 2 million hectares to the C-NLOER, by the defined date in the Call for Nominations document.

The C-NLOER will use the AOI nominations in conjunction with internal geoscientific assessments to define a sector that will be identified publically via the Sector Identification announcement. A sector will define the geographic location for which parcels will be offered in the Call for Bids. The C-NLOER will not be requesting or accepting bids for the sector itself.

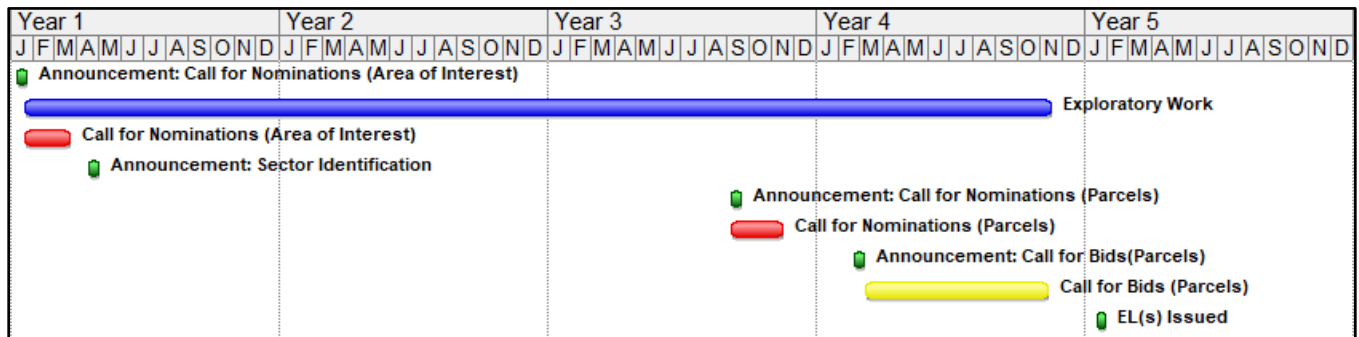
Subsequently, the C-NLOER will hold a Call for Nominations (Parcels) from within the posted sector, such that interested parties will be able to submit parcel configurations to the C-NLOER for consideration in a Call for Bids. The entire sector will be covered with parcels designed for multiple leads and maximum licence size in the Low Activity and High Activity designated regions. Upon internal assessment of the parcel nominations, the C-NLOER, subject to Ministerial approval, will announce a Call for Bids.

Depending on the classification of the region, this process will proceed over the 3-year, 2-year or 1-year cycles.

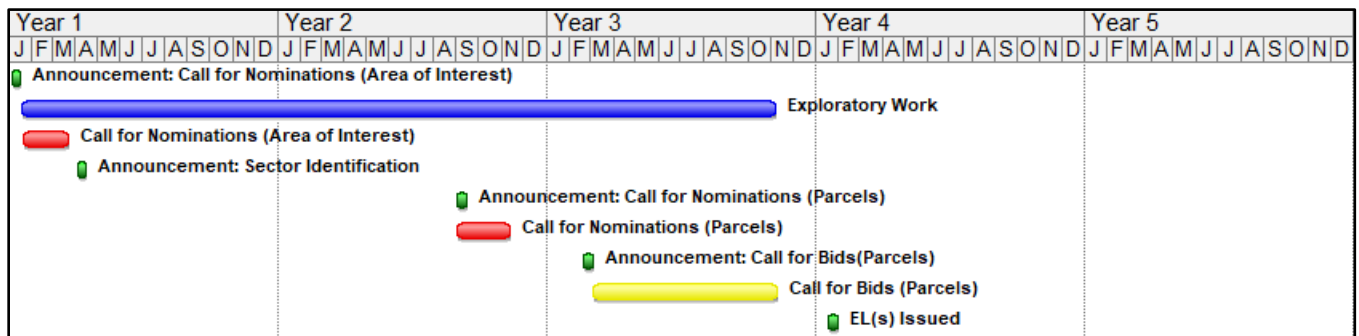
# 10.0 Scheduled Land Tenure Timing

A detailed breakdown of timing and significant dates is shown in the following Gantt charts:

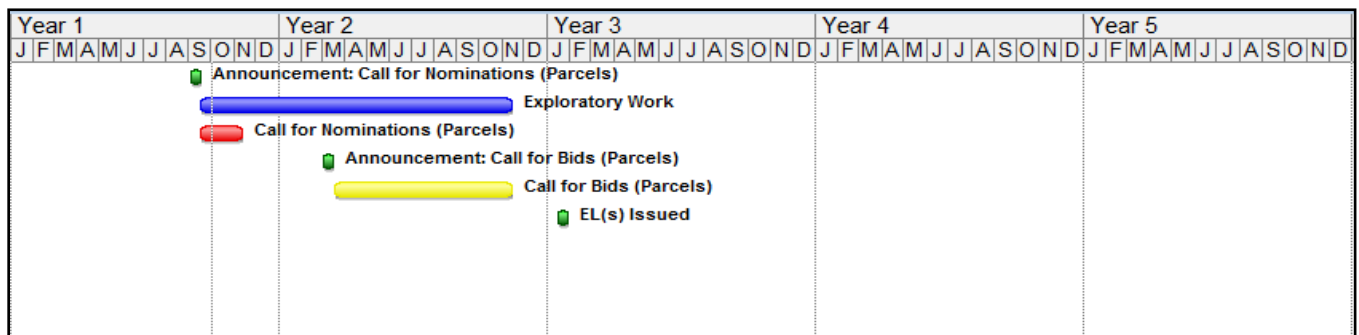
- 3 – year cycle model (low activity):



- 2 – year cycle model (high or low activity):



- 1 – year cycle model (mature):



## 11.0 Future Calls for Bids

The Scheduled Land Tenure system will operate, such that any parcels not awarded in a Call for Bids will be re-assessed and re-posted in the subsequent Call for Bids for the region in question, if prospective. This re-posting will be supplemental to the lands defined by the nomination processes for that call and will allow for a cumulative increase of lands being available in the Scheduled Land Tenure system.

The C-NLOER will offer cumulative (unawarded) Low Activity parcels every second year from alternating areas. As new Low Activity Sectors enter the Scheduled Land Tenure system, the C-NLOER will schedule the timing of the subsequent cumulative Call for Bids.

## 12.0 Licence Terms and Conditions

The Terms and Conditions for any Exploration Licence issued as a result of a Call for Bids can be found in the Sample Exploration Licence which is annexed to the Call for Bids documentation.

### 12.1 Allowable Expenditures

In October 2021, the C-NLOER issued the Allowable Expenditure Credit Guideline. This Guideline outlines the fundamentals, classification, and application process related to Allowable Expenditures (security deposit write-downs).

To help with the Allowable Expenditure Process the following documentation can be found on the C-NLOER website:

- Terms and conditions of applicable licence(s)
- Allowable Expenditure Credit Guideline
- Application for Allowable Expenditure Credit Template

### 12.2 Minimum Bid

The minimum bid is \$10 million for all areas.

### 12.3 Terms of Licences

All exploration licences will now have two Periods:

- Period I is for six (6) years and may be extended by drilling deposit;
- Period II is the remainder of the 9 year exploration licence if validated by the drilling of a well in Period I.

## 12.4 Drilling Deposit Model

To encourage transparency and planning certainty, the following model for drilling deposits and extensions in relation thereto was approved by the Regulator. As there is a possibility for an interest owner to extend Period I up to three additional years, the C-NLOER anticipates that this will reduce the increasing number of requests for amendment to licences for extensions and consolidations. The escalating drilling deposits shall be as follows:

**Period I A (Year 6 to Year 7):** 1 year extension - \$5 million

**Period I B (Year 7 to Year 8):** 1 year extension - \$10 million, forfeiture of the \$5 million deposit paid in the year previous.

**Period I C (Year 8 to Year 9):** 1 year extension - \$15 million, forfeiture of the \$10 million deposit paid in the year previous.

If a drilling deposit is posted, it will be refunded in full if the well commitment is met during the respective period of extension. Otherwise, the drilling deposit will be forfeited upon termination of that period extension. This is consistent with current drilling deposit forfeitures.



**240 Waterford Bridge Road**

The Tower Corporate Campus West Campus Hall  
Suite 7100  
St. John's, NL  
Canada A1E 1E2

t. (709) 778 1400

f. (709) 778 1473

**Core Storage and Research Centre**

30-32 Duffy Place  
St. John's, NL  
Canada A1B 4M5

t. (709) 778 1500