

APPENDIX I

**CANADA-NEWFOUNDLAND AND LABRADOR EXPLORATION BENEFITS
PLAN GUIDANCE**

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1.0 INTRODUCTION

This document is designed to provide an operator engaged in petroleum exploration activities, including geophysical, geotechnical, drilling, etc., in the Newfoundland and Labrador Offshore Area with guidance for the preparation of a Canada-Newfoundland and Labrador Benefits Plan (Benefits Plan) which is required under section 45 of the Atlantic Accord Implementation Acts (the Acts). The guidance also addresses related contracting, expenditure and employment reporting requirements.

The document is divided into four principal parts: Statutory Requirements, Policies and Procedures, Format of a Benefits Plan and Monitoring and Reporting. Within the context of the monitoring and reporting requirements an operator is expected to report on 'post-discovery' activities, i.e. pre-development activities conducted prior to the approval of a Benefits Plan for a field development, and the provisions of the approved Exploration Benefits Plan shall apply.

This guidance will be administered by the Canada-Newfoundland and Labrador Offshore Petroleum Board (the Board), and may be revised from time to time following consultation with industry.

An operator which plans offshore exploration activity in the Labrador offshore area is further directed to consult the Labrador Inuit Association (LIA) Land Claims Agreement for provisions affecting any planned activity.

2.0 STATUTORY REQUIREMENTS

An Exploration Benefits Plan must address key statutory provisions from section 45 of the Acts. The Board's requirements with respect to these provisions is fully described in section 3.0 of the Guideline.

3.0 POLICIES AND PROCEDURES

When reviewing an operator's commitment to the statutory requirements referenced in section 3.0, the Board will review the policies and procedures that an operator proposes to follow in the planning and execution of its program. The Board will consider the size and scope of a program, as well as the prevailing socio-economic circumstances, in determining the acceptability of the operator's proposed policies and procedures. When preparing a Benefits Plan, an operator should state its intentions, if applicable, concerning:

- the establishment of an office in the Province in accordance with paragraph 45(3)(a) of the Acts;
- the provision of information concerning its exploration program to concerned individuals, groups and communities in the Province;
- the assessment of Newfoundland and Labrador and other Canadian supply capabilities and the identification, in documentation prepared for the Board, of new supply opportunities;
- its plans for communicating to Newfoundland and Labrador and other Canadian suppliers and manufacturers, on a timely basis, its requirements for goods and services, its bid procedures and the names of its key procurement personnel;
- its plans for visiting, when requested, plant facilities to review procedures, equipment and personnel qualifications to ascertain and develop the competitive capabilities of Newfoundland and Labrador and other Canadian suppliers;
- the requesting of Newfoundland and Labrador and Canada benefits information as a part of the bid solicitation process;
- the preparation of bid specifications and packages to ensure that they do not unfairly prevent Newfoundland and Labrador and other Canadian suppliers from participating in the bid process;
- the establishment of mechanisms to ensure that its contractors comply with the company's commitments in respect of Canada-Newfoundland and Labrador benefits;

- the provision of debriefings to unsuccessful bidders when requested, which is consistent with CAPP's Industry Recommended Practice document titled *Atlantic Canada Offshore Petroleum Industry – Supply Chain Management*.
- the transfer of technology and know-how to Canada and in particular Newfoundland and Labrador;
- specific initiatives or “action plans” proposed to significantly contribute to work in Canada or Newfoundland and Labrador from the program;
- the utilization of Newfoundland and Labrador and other Canadian firms and institutions to undertake research and development, as provided for in Appendix II to the Guideline;
- assistance to government agencies and to private and public training institutions in identifying and developing suitable pre-employment training programs;
- transboundary crewing (see Appendix III to the Guideline);
- the succession of qualified Canadians to positions held by non-Canadians (The Board considers that qualifications should include academic qualifications, qualifying work experience and competent performance); and,
- the establishment of measures to achieve the employment equity provisions of subsection 45(4) of the Acts.

4.0 FORMAT OF A BENEFITS PLAN

A Benefits Plan, submitted under subsection 45(1) of the Acts, should be prepared according to the following format:

4.1 Description of Work Program

The description of the exploration program should provide an overview of the work proposed and, if applicable, include:

- the length, number and duration of geophysical, or other, surveys;
- the number of wells, with anticipated spud and completion dates;
- a description of drilling unit(s), seismic vessel(s), and number and type of support vessels to be used;
- a forecast of total program expenditure;
- a forecast of direct employment associated with the program supported by a detailed crew roster for marine and technical personnel who will be employed during the program. The listing should include their residency at time of hire and a rationale to support the use of any foreign workers;
- a listing of contracts or procurements greater than \$100,000; and
- A description of the operator's plan with respect to seismic processing.

4.2 Statutory Requirements and Policies and Procedures

The operator is expected to confirm its commitment to the statutory requirements of the legislation and to describe the policies and procedures it proposes to follow in executing the program.

5.0 MONITORING AND REPORTING

This section outlines the Board's contract notification and expenditure and employment reporting requirements.

5.1 Contract Notification

To ensure that full and fair opportunity is afforded Newfoundland and Labrador and other Canadian suppliers, the Board encourages early discussion of an operator's procurement and contracting plans. If practical, these discussions could take place at a pre-program or pre-well meeting.

Specifically, the Board requires notification of an operator's or contractor's proposed bidders lists for contracts valued in excess of \$100,000 pertaining to the following items:

- drilling units/seismic vessels;
- service/support vessels;
- diving services;
- tubulars and tubular services;
- environmental services; and,
- engineering and other pre-development activities.

The Board may also require notification of bidders lists for other contracts from time to time. When reviewing the proposed bidders lists for these items, the Board will identify any pre-award notification requirements.

5.2 Annual Report

The Board requires that an operator engaged in exploration activities in the Newfoundland and Labrador Offshore Area submit an annual benefits report. This report should provide a summary of the previous year's activities and include the following:

- a description of the work activities including time periods during which the activities occurred;
- a well expenditure report, if applicable, by product/service, contractor/supplier and dollar amount for each well location. Appendix I-A outlines the Board's suggested reporting format;

- a total annual expenditure summary categorized by major activities. Appendix 1-B outlines the Board's suggested reporting format;
- an employment summary, reported in work-months, for the operator and all contractors dedicated to the program. Appendix I-C outlines the Board's suggested reporting format;
- a description of Research and Development activities, including associated expenditures, undertaken by the company in the province;
- a description of Education and Training activities, including associated expenditures, undertaken by the company in the province; and,
- a discussion of the results from any specific initiatives or "action plans" undertaken by the company.

Annual reports should be prepared on a calendar year basis and should be submitted to the Board by January 31 of the subsequent calendar year.

APPENDIX I-A

Well Expenditure Report		
Well Name:		
Product/Service	Contractor/Supplier	Expenditure (\$)
Equipment Rig(s) Aviation Support Service/Support Vessels Other* Sub-total		
Drilling Supplies Casing/Tubulars Cement Fuel & Lubes Drill Bits/Reamers Mud & Chemicals Wellhead Other* Sub-total		
Services Coring Logging Testing Diving Communications Casing Environmental Rig Positioning Other* Sub-total		
Logistics/Support Support Facilities Admin. & Management Other* Sub-total		
TOTAL:		

* Since these "other" categories can represent rather large expenditures, please provide additional information, on separate sheets, showing a breakout of the items and costs included in these categories.

APPENDIX I-B

Annual Expenditure Summary	
Activity	Expenditure (\$)
Pre-Drilling Geophysical: - Acquisition - Processing - Interpretation Other Sub-total	
Drilling Equipment Consumables Services Logistics/Support Other Sub-total	
Pre-Development Environmental Socio-economic Engineering Other Sub-total	
TOTAL	

APPENDIX I-C

Annual Employment Summary				
(Work-Months)				
Company	Total	Newfoundland & Labrador Resident	Other Canadian	Non-Canadian
TOTAL				

Notes:

- Company includes the operator, drilling contractor(s), service/support vessel contractor(s) and any other contractors dedicated to the program.

Definitions:

- Newfoundland and Labrador Resident
A Canadian (or landed immigrant) who meets the residency requirements of the province under the *Election Act, SNL 1992, CE-3.1*, i.e. has resided in the province for the immediately preceding six month period.
- Canadian
A person who was born in Canada and who has not relinquished his/her Canadian citizenship; or, a person who has been granted Canadian citizenship; or, a person who has been granted permanent resident status (landed immigrant status).