



Scheduled Land Tenure

Frequently Asked Questions

Q: What is the C-NLOER's role in the land tenure process?

A: The C-NLOER's role is to facilitate the rights issuance process on behalf of governments. The Board does not "promote" exploration.

Through a Call for Bids process that is subject to Ministerial approval, the Board determines those portions of the Canada-Newfoundland and Labrador Offshore Area available for exploration activity. The new process begins with a Call for Nominations for Areas of Interest. Nominated lands are assessed by the C-NLOER for possible inclusion in a Call for Bids.

Based upon Area of Interest nominations from industry and internal geoscientific assessment, the C-NLOER will identify sector(s), which will be made public. Subsequently, industry will be provided the opportunity via a Call for Nominations for Parcels to submit parcel configurations to the C-NLOER over the location defined by the Sector.

The C-NLOER will assess the industry parcel nominations and announce a Call for Bids from which industry can bid on individual parcels for licencing. The Board will issue exploration rights in the form of exploration licences for specific periods of time. Licences are awarded to the companies which submit the highest bids in terms of exploration expenditure commitments over a six-year period. Depending on the results of exploration activity, the C-NLOER could issue further rights in the form of significant discovery licences or production licences.

Q: What is meant by a "scheduled" land tenure system?

A: A Scheduled Land Tenure System is a system which provides longer advance notification of specific offshore regions which will be subject to Calls for Bids, announced in scheduled cycles.

Q: Why did the C-NLOER adopt a new scheduled land tenure system?

A: A scheduled land tenure system was implemented to improve the existing model by providing additional time for adequate geoscientific assessment of the hydrocarbon prospectivity in the lesser explored basins of the Canada-Newfoundland and Labrador Offshore Area.

The new system is designed to maximize transparency, predictability and stakeholder input. The C-NLOER will continue the annual Call for Bids process, in addition to offering interested parties new scheduled Calls for Bids cycles in more frontier areas.

Q: How is the Canada-Newfoundland and Labrador Offshore Area divided in the new scheduled land tenure system?

A: The NL offshore area is divided into eight regions:

1. Labrador North (LN)
2. Labrador South (LS)
3. North Eastern Newfoundland (NEN)
4. Eastern Newfoundland (EN)
5. South Eastern Newfoundland (SEN)
6. Southern Newfoundland (SN)
7. Western Newfoundland and Labrador (WNL)
8. Jeanne d'Arc (JDA)

Q: How is each region divided?

A: Each region will be sub-divided based on industry nominations for Areas of Interest.

Q: What is an Area of Interest (AOI)?

A: 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 2 million hectares or 20 000 km²; there are no minimum size criteria.

Q: What is a sector?

A: Sectors will represent the geographic location 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 cycle. This will provide industry with certainty regarding the Call for Bids area available for exploration and provide longer lead times to explore that area.

Q: How is the size of sectors determined?

A: Sectors will be designed based upon the AOI nominations received by industry. Sectors will contain a large enough area to facilitate multiple licences, designed to maximize basins and prospectivity.

Q: Are the sector boundaries flexible?

A: Sector boundaries are flexible for the purpose of parcel design, allowing for parcels to be extended beyond the edge of a sector to properly contain geological features in the subsurface. In short, parcel design is built around prospects and sector boundaries. In addition, if further work dictates, sector boundaries can be changed.

Q: What is a parcel?

A: A parcel represents the land that is being offered by the C-NLOER for licencing via a Call for Bids. Parcel configurations are based on industry nominations and assessment of the nominations by the C-NLOER.

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.

Q: How will the regions be classified?

A: Regions will be subdivided into three classifications based on level of work and overall oil and gas development: Low Activity, High Activity and Mature.

Q: What is a “Low Activity” region?

A: Low Activity regions are generally underexplored with a lower level of geoscientific understanding. 2D seismic coverage may be available on a coarse grid scale, few exploratory wells have been drilled and limited 3D seismic has been acquired. The basins within the Low Activity category typically do not have proven hydrocarbon systems.

- The Low Activity regions are Labrador North, Labrador South, North Eastern Newfoundland, South Eastern Newfoundland, Southern Newfoundland and Western Newfoundland and Labrador.
- The basins that are included in the regions of Low Activity are Saglek, Henley, Chidley, Hopedale, Hawke, Holton, St. Anthony, Anticosti, Maritime, Sydney, Laurentian, South Whale, Whale, Horseshoe, Carson-Bonnyton and Salar.

Q: What is a “High Activity” region?

A: The Eastern Newfoundland region falls within the category of High Activity.

- The basins that are included in the High Activity region are primarily the Orphan and Flemish Pass.

Q: What is a “Mature” region?

A: In a Mature region, the geology is well understood with 2D and 3D seismic data coverage being substantial. Also, a Mature region would have extensive exploration, delineation and development drilling and multiple producing fields.

The Jeanne d’Arc Basin is the only current region classified in the Mature category. This region contains multiple producing fields, and there has been extensive exploration, delineation and development drilling. In addition, there is substantial 2D and 3D seismic data coverage.

Q: Why are there different time cycles for regions with different activity levels?

A: There are different time cycles for the regions with different activity levels because it provides more time to collect data and build assessments where well and seismic data are currently lacking. The different time cycles and the schedules are as follows:

- The **Three-year cycle** is designed for regions classified as Low Activity. In this cycle, a Call for Nominations (Area of Interest) will be announced for a region in the winter (February/March) of the year and the Call for Bids will close in the fall (November), three years later. This cycle will provide interested parties with at least 36 months to explore and assess the area prior to the closing of the Call for Bids.
- The **two-year cycle** is designed for regions classified as High Activity or Low Activity. In this cycle, a region will be announced in the winter (February/March) of the year and the Call for Bids will close in the fall (November), two years later. These Calls for Nominations (AOI) will provide interested parties as much as 24 months to explore and assess the location defined in the call.
- The **one-year cycle** will be maintained for the Mature region. As has been the case in the past, a Call for Nominations in the Mature region (e.g. the Jeanne d’Arc Basin) will go out in the fall, the Call for Bids will be announced in the spring of the following year, and the Call for Bids will close in the fall of the same year.
- The **one-year cycle** will be maintained for any lands not publically announced in the scheduled system. This Call for Bids will proceed annually based on industry nominations and assessments by the C-NLOER. This model will mirror the schedule discussed for the Mature region.

Q: Is there still a nomination process?

A: Yes. Similar to the existing model, the new system will provide industry with the opportunity to nominate lands to be placed in the long lead time schedule, as well as the annual nomination process for parcels.

Q: How does the nomination process in the scheduled land tenure system work?

A: In the scheduled land tenure system, there will be two different nomination Scenarios:

- **Nominations for the scheduled lands**
There are two nomination points in the scheduled land tenure system. 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).

- **Nominations for other areas not publically announced in the scheduled system**

Interested parties can nominate parcels in the Mature region, as well as any region that is not publically announced in the scheduled system.

Q: How is each region scheduled in the Call for Bids process?

A: Regions associated with Low Activity are typically a two or three year cycle. Regions with High Activity have a two year cycle and Mature activity regions will have a 1 year cycle with a Call for Bids annually, subject to Ministerial approval.

Q: How do allowable expenditures work in the scheduled land tenure system?

A: Allowable expenditures will be defined to provide that any allowable expenditures respecting an exploration licence incurred from the date of the initial announcement of the Call for Nominations for that scheduled round, up to and including the effective date of an exploration licence issued from that round, may be claimed. This is in addition to the traditional allowable expenditure terms and conditions which can be found in the sample exploration licences offered in the Calls for Bids 2013 on the C-NLOER website.